



CITY OF KILLEEN, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

CITY OF KILLEEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2012

ELECTED OFFICIALS

Daniel A. Corbin, Mayor
Michael R. Lower, Mayor Pro-Tem
Wayne Gilmore, Councilman
Jose Segarra, Councilman
Terry J. Clark, Councilman
Elizabeth Blackstone, Councilwoman
Jared Foster, Councilman
Jonathan Okray, Councilman

MANAGEMENT STAFF

Glenn P. Morrison, City Manager
John W. Sutton, Assistant City Manager, External Services
Lillian Ann Farris, Ph.D., Assistant City Manager, Internal Services

OFFICIALS ISSUING REPORT

Martie C. Simpson, CPA, Interim Executive Director of Finance
Amanda R. Wallace, CPA, City Auditor



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INTRODUCTORY SECTION

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CITY OF KILLEEN

April 22, 2013

The Honorable Mayor, City Council, and
Citizens of the City of Killeen, Texas

The comprehensive annual financial report of the City of Killeen, Texas, for the fiscal year ended September 30, 2012, is submitted in accordance with the provisions of the City Charter. This report was prepared by City of Killeen management in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and audited in accordance with U.S. Generally Accepted Auditing Standards by a firm of licensed independent certified public accountants.

This report consists of management's representations concerning the finances of the City of Killeen. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. To provide a reasonable basis for making these representations, management of the City of Killeen has established a comprehensive internal control framework that is designed both to protect the government's assets and to compile sufficient reliable information.

The City of Killeen's financial statements have been audited by Weaver, LLP, a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Killeen for fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Killeen was part of a broader, federally mandated, "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Killeen's Single Audit Report, which immediately follows the Statistical Section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Killeen's MD&A can be found immediately following the report of the independent auditors.

GOVERNMENT STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Killeen was established May 15, 1882, and incorporated as a municipality on March 3, 1949. Located in Bell County, it is situated along U.S. Highway 190 just 17 miles east of Interstate 35.

Geographically, Killeen is located on the main line of the Santa Fe Railroad and encompasses an area of 55.562 square miles. Its central location makes major metropolitan areas easily accessible - 70 miles to Austin, 150 miles to San Antonio, 160 miles to Dallas-Fort Worth, and 190 miles to Houston.

With an estimated population of approximately 130,018, Killeen is the most populated city in Bell County. It is also home to Fort Hood, the largest active duty armored post in the United States Armed Services.

The City provides essential and meaningful services to its citizens to create an exceptional quality of life. Major services provided under general government and enterprise functions include the following: police and fire protection; emergency medical services; water, sewer, and garbage utilities; two airports; an 18-hole golf course; a public library system with two locations, and numerous parks and recreation facilities, including parks, athletic fields, a fitness center, two public swimming pools, and a family aquatics center.

Killeen operates under the council-manager form of government. Policy-making and legislative authorities are vested in the city council which consists of a mayor and seven council members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the city council, overseeing the day-to-day operations of the government and appointing department heads.

The state of our national and local economy continues to be of concern. Although some of our economic indicators are showing signs of a slow, steady recovery, overall economic growth during the past year was marginal. Killeen has maintained strong fund balance reserves despite the challenges posed by moderating revenues from property and sales taxes. Although affected by the economic downturn, the local economy, fueled by its proximity to Fort Hood, affordable housing, and transportation infrastructure improvements, remains relatively stable in comparison to cities across the United States.

BUDGET PROCESS

The budget process for the City of Killeen is a year-round process defined by a fiscal year, not a calendar year. Killeen's fiscal year begins on October 1 and ends on September 30. The Killeen City Charter ("the Charter") vests the responsibility for preparing an annual budget and plan of municipal services with the City Manager. The City Manager must then submit the proposed budget to the City Council for its review and adoption. The City Manager, between forty-five and ninety days prior to the beginning of each fiscal year, submits to the Council a proposed budget which shall provide a complete financial plan for the fiscal year. The proposed budget is made available as a public record at the time it is presented to the City Council. Public hearings, as required by the Charter and state law, are held on the proposed budget and tax rate. The Council has the opportunity to make changes to the proposed budget during this process, subject to required additional public hearings. The budget is adopted by the favorable vote of a majority of the members of the whole Council and must be adopted not later than September 20 of each year. If the Council fails to adopt a budget by this date, the proposed budget submitted by the City Manager shall be deemed to have been adopted by the Council. The FY 2011-12 Budget and Plan of Municipal Services was adopted by the City Council on September 13, 2011.

MAJOR INITIATIVES

The FY 2012-13 adopted budget was very conservative. The City of Killeen has been prudent in maximizing resources and efficiencies in order to provide the same levels of city services in spite of the challenging economic environment. The construction of a new university, medical facility and other projects create great potential for future economic growth. The City of Killeen will continue its fiscally conservative approach to budgeting to ensure the city's long-term success.

KILLEEN CHALLENGE

In developing the FY 12-13 budget, staff established several "fence posts" to help guide the process. Those markers included the following: 1) maintaining fiscal soundness, 2) maintaining the ad valorem property tax rate, 3) aligning the budget with the strategic plan, 4) maintaining or improving service levels, 5) maintaining adequate employee compensation, and 6) identifying priorities for continued growth.

The budget presented contained very few increases and minimal new programs. The operating budget highlights, in addition to the priorities noted in the above paragraph, are as follows:

1. Premiums for employee health care coverage will decrease in FY 2012-13; however, health care costs continue to have a significant impact on the organization.
2. Thirty-eight new full-time positions, most to begin at mid-year. The funding for these positions comes from new and reprogrammed dollars within the organization.
3. A reorganization of departments and divisions into an internal and external services model.
4. The fleet replacement and maintenance program as a continuing priority. Fleet needs across the organization continue to increase.
5. Funding for the Greater Killeen Chamber of Commerce and the Killeen Economic Development Corporation.
6. No utility rate increases for water, sewer, drainage or solid waste services.
7. Landing fees for airline attendants and parking lot fees were increased slightly at the Killeen-Fort Hood Regional Airport. Fees pursuant to T-hangar and covered tie-down rentals were increased at Skylark Field. Fee increases at the Lions Park Family Recreation Center were also adopted.

AWARDS AND ACKNOWLEDGEMENTS

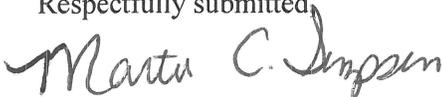
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Killeen for its comprehensive annual financial report for the fiscal year ended September 30, 2011. This was the 21st consecutive year that the city has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR which must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This Certificate of Achievement is awarded on a yearly basis. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements; we are submitting this year's CAFR to the GFOA to determine its eligibility for another Certificate of Achievement.

The City of Killeen received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2011 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning October 1, 2012.

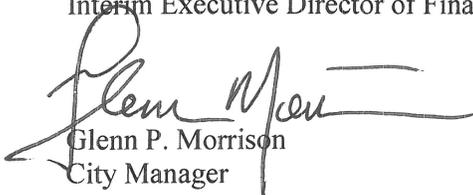
The preparation of this report could not have been accomplished without the efficient and dedicated services of City staff and through the competent service of our independent auditors. Appreciation is expressed to City employees throughout the organization who were instrumental in the successful completion of this report.

We also wish to express our sincere appreciation to the Mayor and City Council for your leadership and guidance in the financial affairs of the City of Killeen. You make it possible for City staff to achieve our mission: Dedicated Service – Every Day, for Everyone!

Respectfully submitted,



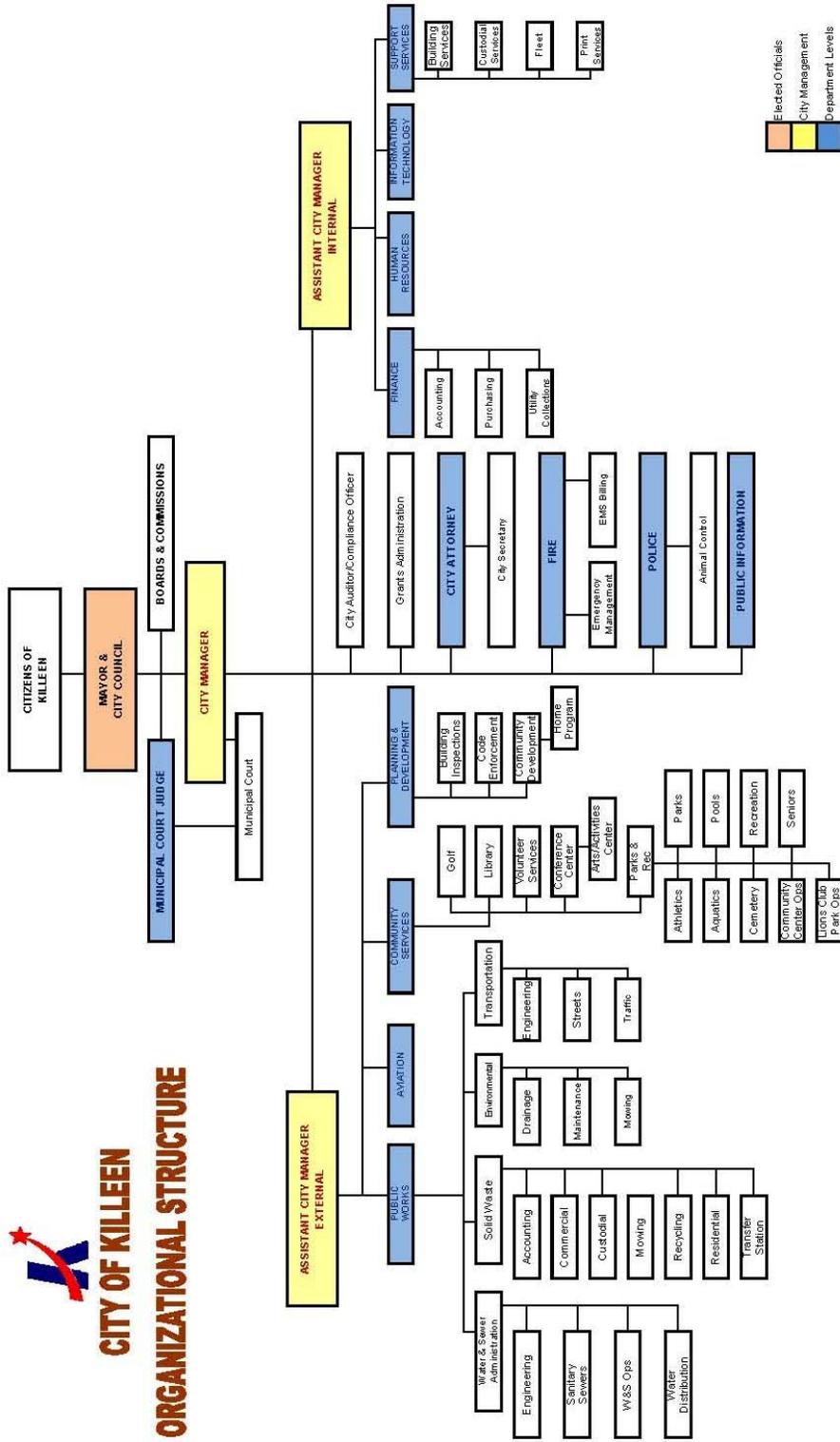
Martie C. Simpson, CPA
Interim Executive Director of Finance



Glenn P. Morrison
City Manager



CITY OF KILLEEN ORGANIZATIONAL STRUCTURE



**CITY OF KILLEEN
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2012**

Mayor
Mayor Pro Tem
Councilman – District 1
Councilman – District 2
Councilman – District 3
Councilman – At Large
Councilman – At Large
Councilman – At Large
City Manager
Assistant City Manager, External Services
Assistant City Manager, Internal Services
City Attorney
Chief of Police
Interim Executive Director of Aviation
Interim Executive Director of Finance
Executive Director of Human Resources
Executive Director of Information Technology
Executive Director of Planning
Executive Director of Public Information
Executive Director of Public Works
Executive Director of Support Services
Fire Chief
Presiding Municipal Judge

Daniel A. Corbin
Michael R. Lower
Wayne Gilmore
Jose Segarra
Terry J. Clark
Elizabeth Blackstone
Jared Foster
Jonathan Okray
Glenn Morrison
John Sutton
Lillian Ann Farris, Ph.D.
Kathryn Davis
Dennis Baldwin
Jim Livingston
Martie Simpson
Debbie Maynor
Donald Fine
Ray Shanaa, Ph.D.
Hilary Shine
Richard Macchi
Stuart McLennan
Jerry Gardner
William Gibson

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Killeen
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morille

President

Jeffrey R. Emer

Executive Director



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Killeen, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Killeen, Texas (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Killeen Economic Development Corporation (KEDC), the City's discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for KEDC, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of other auditors, provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Retirement and Post Employment Benefit Plans Other than Pensions Required Supplementary Information, and the General Fund budgetary

comparison information on pages 3 through 14 and 77 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
April 22, 2013

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

As management of the City of Killeen, we offer readers of the City of Killeen's financial statements this narrative overview and analysis of the financial activities of the City of Killeen for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with our letter of transmittal which can be found on pages iii - v of this report and the basic financial statements that follow this section. This discussion and analysis includes comparative data to fiscal year ended September 30, 2011. All amounts, unless otherwise indicated, are expressed in dollars.

Fiscal Year 2011-12 Financial Highlights

City-wide:

- The City's total net assets were \$307.3 million at September 30, 2012, of which \$89.4 million were in Governmental Activities and \$217.9 million were in Business-type Activities.
- Total City revenues were \$141.7 million, of which \$78.0 million were derived from Governmental Activities and \$63.7 million were derived from Business-type Activities.
- Total City expenses were \$142.2 million, of which \$91.6 million were incurred by Governmental Activities and \$50.6 million were incurred by Business-type Activities.
- The total revenue and expense amounts stated above do not include transfers between funds.

Fund Level:

- Governmental funds reported combined ending fund balances of \$106.1 million at September 30, 2012. Of the combined ending fund balances, \$0.5 million is nonspendable, \$6.3 million is restricted for debt service, \$73.7 million is restricted in capital project funds, \$3.0 million is restricted for other purposes, \$0.1 million is committed, and \$22.5 million is unassigned.
- Governmental Fund revenues were \$77.1 million, a decrease of \$3.7 million from fiscal year 2011's \$80.8 million. This is due mostly to a decrease in intergovernmental revenue. Additionally, developer contributions were reported at the fund level in previous years, but have been appropriately reported only on the government-wide statements for the fiscal year 2012.
- Governmental Fund expenditures increased to \$104.7 million in fiscal year 2012, up \$1.5 million from the prior year.
- Enterprise fund operating revenues were \$61.1 million in fiscal year 2012, up \$2.8 million from the prior year.
- Enterprise fund operating expenses were \$48.2 million in fiscal year 2012, an increase of \$0.6 million from the prior year.
- Enterprise fund non-operating revenues, including capital contributions, were \$2.5 million in fiscal year 2012, a decrease of \$3.9 million from the prior year. This is due mostly to a decrease in intergovernmental revenue and developer contributions.

General Fund:

- General Fund revenues were \$62.7 million, an increase of \$0.1 million from the prior year.
- General Fund expenditures were \$67.2 million, a decrease of \$5.8 million from the prior year.
- Net transfers into the General Fund were \$8.8 million in fiscal year 2012, an increase of approximately \$1.3 million from the prior year.
- Unassigned fund balance for the general fund was \$22.5 million at September 30, 2012 or 33.5 percent of total general fund expenditures of \$67.2 million. The unassigned ending fund balance is up approximately \$4.5 million from the prior year.

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

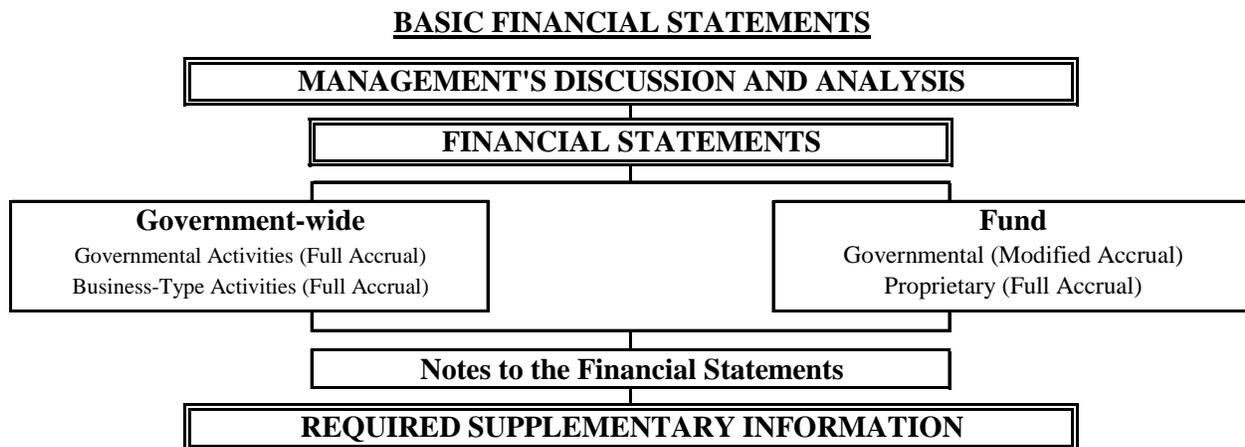
This Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical. As illustrated in the chart below, the financial section of this report has three components: management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The City implemented Governmental Accounting Standards Board Statement No. 34 (GASB 34) in the 2003 fiscal year. Previously, the primary focus of local governmental financial statements had been summarized fund-type information on a current financial resource basis. GASB 34 modified this approach, adding new government-wide statements, which focus on the City as a whole. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual parts of the city government, reporting the operations of the City in more detail than the government-wide statements.

The City implemented Governmental Accounting Standards Board Statement No. 44 (GASB 44) in 2006. The GASB Statement established new standards for the statistical section presentation. The objective of the Statistical Section is to provide additional historical perspective (most recent 10 years), context, and detail to assist users of the financial report to understand and assess a government's economic condition. The objectives are met by providing the information in these five categories: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic, and Operating.

The City implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) in 2011. The GASB Statement redefined governmental fund types, as well as governmental fund balance reporting classifications.

Components of the Financial Section:



OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and combining statements in addition to the basic financial statements themselves.

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, one needs to consider other non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Government wide financial statements of the City are divided into three categories:

- **Governmental Activities** – Functions of the City that are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include General Government, Police, Fire, Public Works, Library, Parks and Recreation, Other Community Services, and Golf.
- **Business-type Activities** – Functions of the City that are intended to recover all or a significant portion of their costs through user fees and charges. The business-type activities of the City include Airport, Solid Waste, Water and Sewer and Drainage Utility operations.
- **Component Unit** – The City includes a separate legal entity in its report, the Killeen Economic Development Corporation. Although legally separate, this “component unit” is important because the City is financially accountable for it.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, enterprise funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between changes in net assets and changes in fund balances is provided to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the 2011 C.O. bond fund, and the 2011A pass thru financing 190/2410 bond fund because they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated column labeled as "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the "Combining Statements" section of this financial report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (page 80) has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Enterprise Funds

Enterprise funds are generally used to account for services for which the City charges outside customers for services. Enterprise funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Airport, Solid Waste, Water and Sewer and Drainage Utility activities. All enterprise funds except Drainage Utility are considered to be major funds of the City in accordance with the major fund test. However, the City has elected to report the Drainage Utility fund as a major fund.

The basic enterprise fund financial statements can be found on pages 24-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City has one private purpose trust fund, which is reported under the fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for enterprise funds.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning: General Fund – Budget vs. Actual (page 80) and the City's progress in

CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012

funding its obligation to provide pension benefits and other post employment benefits to qualifying employees and retirees (pages 77-79).

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information.

Government-Wide Financial Analysis:

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$307.3 million for the year ended September 30, 2012.

	Net Assets					
	<i>(in millions of dollars)</i>					
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and other assets	\$ 117.1	\$ 92.7	\$ 53.9	\$ 56.4	\$ 171.0	\$ 149.1
Capital Assets	191.8	183.5	235.6	233.1	427.4	416.6
Total Assets	<u>\$ 308.9</u>	<u>\$ 276.2</u>	<u>\$ 289.5</u>	<u>\$ 289.5</u>	<u>\$ 598.4</u>	<u>\$ 565.7</u>
Liabilities						
Current liabilities	\$ 9.2	\$ 175.4	\$ 5.2	\$ 71.0	\$ 14.4	\$ 246.4
Noncurrent liabilities	210.3	5.8	66.4	5.7	276.7	11.5
Total Liabilities	<u>219.5</u>	<u>181.2</u>	<u>71.6</u>	<u>76.7</u>	<u>291.1</u>	<u>257.9</u>
Net Assets						
Invested in capital assets, net of related debt	62.6	67.0	176.3	171.5	238.9	238.5
Restricted	10.0	15.9	14.7	18.6	24.7	34.5
Unrestricted	16.8	12.1	26.9	22.7	43.7	34.8
Total Net Assets	<u>89.4</u>	<u>95.0</u>	<u>217.9</u>	<u>212.8</u>	<u>307.3</u>	<u>307.8</u>
Total Liabilities and Net Assets	<u>\$ 308.9</u>	<u>\$ 276.2</u>	<u>\$ 289.5</u>	<u>\$ 289.5</u>	<u>\$ 598.4</u>	<u>\$ 565.7</u>

The largest portion of the City's net assets, \$238.9 million or 77.8 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012

An additional portion of the City's net assets, \$24.7 million or 8.0 percent, represent resources that are subject to external restrictions on how they may be used. These restrictions are detailed in debt covenants, unexpended construction contracts, intergovernmental agreements, and in the City of Killeen Charter. The remaining balance of unrestricted net assets, \$43.7 million or 14.2 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Analysis of Changes in Net Assets

The City's net assets overall decreased by \$0.49 million during the current fiscal year. These increments are explained in the governmental and business-type activities discussion in the following table.

	Changes in Net Assets					
	<i>(in millions of dollars)</i>					
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 12.35	\$ 11.54	\$ 61.14	\$ 58.36	\$ 73.49	\$ 69.90
Operating grants and contributions	2.14	3.40	0.02	-	2.16	3.40
Capital grants and contributions	0.95	5.30	2.32	6.19	3.27	11.49
<i>General revenues:</i>						
Property taxes	34.29	33.37	-	-	34.29	33.37
Business taxes	6.04	6.74	-	-	6.04	6.74
Sales taxes	21.56	20.31	-	-	21.56	20.31
Interest and investment income	0.50	0.35	0.14	0.13	0.64	0.48
Gain on sale of capital assets	0.03	-	0.03	0.02	0.06	0.02
Lease revenue	0.17	-	0.03	0.04	0.20	0.04
Total Revenues	<u>78.03</u>	<u>81.01</u>	<u>63.68</u>	<u>64.74</u>	<u>141.71</u>	<u>145.75</u>
Expenses						
General	16.85	18.16	-	-	16.85	18.16
Police	27.24	26.23	-	-	27.24	26.23
Fire	17.87	18.23	-	-	17.87	18.23
Public Works	11.04	10.39	-	-	11.04	10.39
Library	1.49	1.61	-	-	1.49	1.61
Parks and Recreation	3.77	3.87	-	-	3.77	3.87
Community Services	4.25	5.33	-	-	4.25	5.33
Golf	1.50	1.88	-	-	1.50	1.88
Interest on Long-term Debt	7.63	5.42	-	-	7.63	5.42
Airport Operations	-	-	7.24	7.27	7.24	7.27
Solid Waste	-	-	13.02	12.52	13.02	12.52
Water and Sewer	-	-	27.52	26.69	27.52	26.69
Drainage Utility	-	-	2.78	2.92	2.78	2.92
Total Expenses	<u>91.64</u>	<u>91.12</u>	<u>50.56</u>	<u>49.40</u>	<u>142.20</u>	<u>140.52</u>
Change in net assets before transfers	(13.61)	(10.11)	13.12	15.34	(0.49)	5.23
Transfers	7.97	7.62	(7.97)	(7.62)	-	-
Change in net assets	(5.64)	(2.49)	5.15	7.72	(0.49)	5.23
Net assets at beginning of year	95.09	97.58	212.75	205.03	307.84	302.61
Net assets at end of year	<u>\$ 89.45</u>	<u>\$ 95.09</u>	<u>\$ 217.90</u>	<u>\$ 212.75</u>	<u>\$ 307.35</u>	<u>\$ 307.84</u>

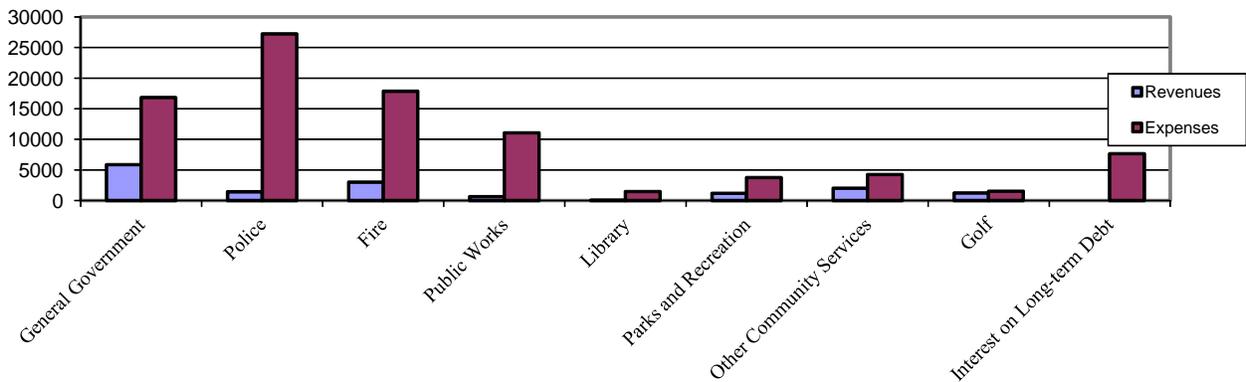
**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

Governmental Activities

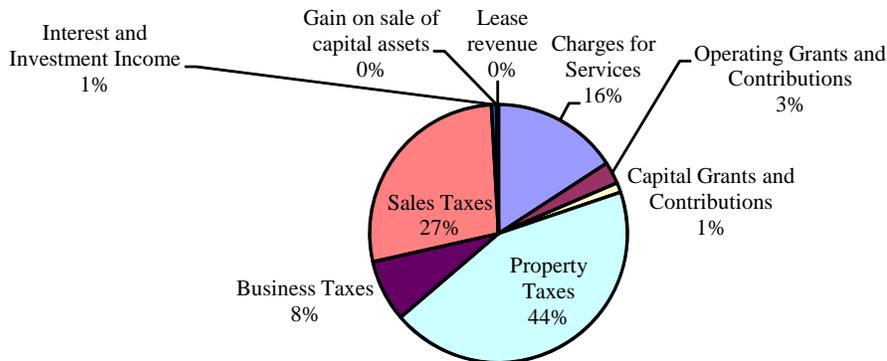
Governmental activities decreased the City's net assets by \$5.64 million. Key factors of this decrease are as follows:

The charts below illustrate the City's governmental expenses and revenues by function. As shown, police is the largest function in expense (\$27.24 million), followed by fire (\$17.87 million) and general government (\$16.85 million). General revenues such as sales, property, and business taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, property taxes are the largest single source of funds (\$34.29 million), followed by sales taxes (\$21.56 million) and charges for services (\$12.35 million). Property tax revenue increased by \$0.92 million, sales tax revenue increased by \$1.25 million, and charges for services increased by \$0.81 million from the previous fiscal year.

**Program Revenues and Expenses - Governmental Activities
Fiscal Year 2011-12
(in thousands of dollars)**



**Revenue by Source - Governmental Activities
Fiscal Year 2011-12**



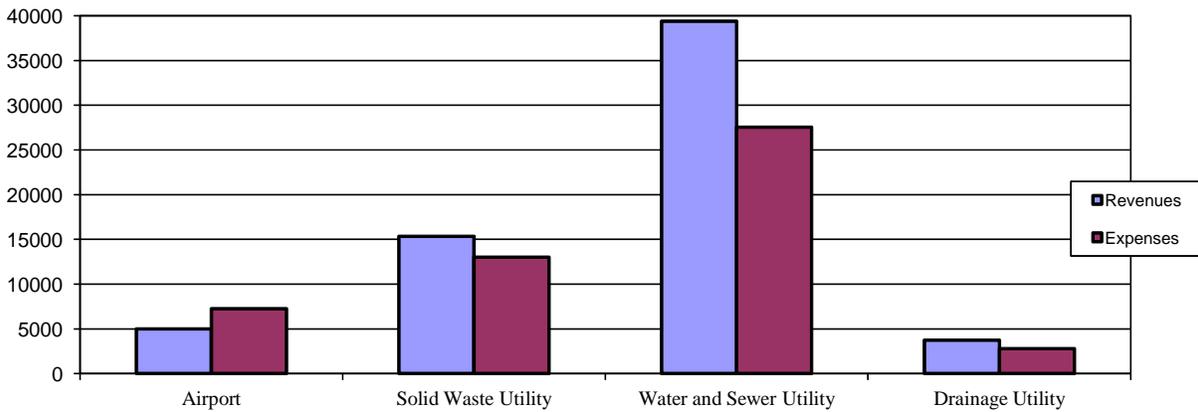
**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

Business-type Activities

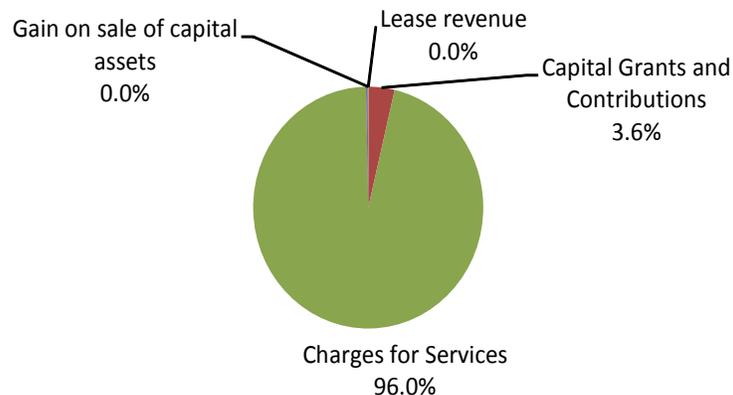
Business-type activities increased the City's net assets by \$5.15 million. Key factors of this increase are as follows:

The charts following illustrate the City's business-type expenses and revenues by fund. The largest of the City's business-type activities, Water and Sewer, had expenses of \$27.52 million in fiscal year 2012, followed by Solid Waste with expenses of approximately \$13.02 million. Charges for services provided the largest share of revenues (96.0 percent) followed by capital grants and contributions (3.7 percent) for all business-type activities. Charges for services revenue increased by \$2.78 million this year, and operating expenses increased by \$1.16 million. Total revenues decreased by \$1.06 million.

**Program Revenues and Expenses - Business Type Activities
Fiscal Year 2011-12
(in thousands of dollars)**



**Revenue by Source - Governmental Activities
Fiscal Year 2011-12**



**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Governmental funds reported by the City include the general fund, special revenue funds, debt service funds, and capital project funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$106.1 million, an increase of \$20.4 million in comparison with the prior year. Approximately \$22.5 million (21.2 percent) of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is in nonspendable form, restricted for debt service, capital projects and other purposes, or committed for special purposes designated by the City.

Revenues for governmental functions overall totaled approximately \$77.1 million in the fiscal year ended September 30, 2012, which represents a \$3.7 million decrease from the prior fiscal year. Expenditures for governmental functions totaling \$104.7 million increased by approximately \$1.5 million from the previous fiscal year. In the fiscal year ended September 30, 2012, expenditures for governmental functions exceeded revenues by approximately \$27.6 million.

The general fund is the chief operating fund of the City and one of three major governmental funds presented in the financial statements. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$22.5 million, while total fund balance was \$23.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.5 percent of total general fund expenditures, while total fund balance represents 35.0 percent of that same amount.

The 2011 C.O. Bond fund is the second major governmental fund presented in the financial statements. During the previous fiscal year, the City issued \$32.0 million in certificates of obligation to fund street/road projects. The net change in fund balance is a decrease of \$4.5 million for the 2012 fiscal year. As with the nature of any capital project fund, the fund balance will decrease significantly in the coming years as the bond proceeds are expended for their intended purposes.

The 2011A Pass Thru Financing 190/2410 fund is the third major governmental fund presented in the financial statements. During the fiscal year, the City issued \$31.4 million in Pass-Thru Financing to fund state highway projects. Since the fund was created with the issuance of the debt, the net change in fund balance is \$27.9 million for the 2012 fiscal year. As with the nature of any capital project fund, the fund balance will decrease significantly in the coming years as the bond proceeds are expended for their intended purposes.

General Fund Budgetary Highlights

The following is a brief review of the budgetary changes from the original to the final general fund budget. Expenditure budgets were increased in the following categories through budget amendments/transfers primarily due to unexpected expenditures.

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

- \$218 thousand increase in general government expenditures
- \$486 thousand increase in public safety expenditures
- \$172 thousand increase in public works expenditures

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the Airport Fund were \$3.1 million, the Solid Waste Fund had \$3.5 million, the Water and Sewer Fund had \$20.1 million and the Drainage Utility Fund had \$0 in unrestricted net assets. The total growth in net assets for the enterprise funds was \$5.1 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2012, amount to \$427.4 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, vehicles, furniture, fixtures, equipment, construction in progress and infrastructure. The total increase in the City's capital assets (net of accumulated depreciation) for the current fiscal year was \$10.8 million (a 4.5 percent increase for governmental activities and a 1.0 percent increase for business-type activities) as shown in the table below.

Capital Assets
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 7.6	\$ 7.6	\$ 1.6	\$ 1.6	\$ 9.2	\$ 9.2
Buildings and						
Land Improvements	72.6	66.9	143.9	148.0	216.5	214.9
Improvements Other	-	-	82.0	74.7	82.0	74.7
Vehicles	5.3	4.6	3.6	3.0	8.9	7.6
Furniture, Fixtures,						
Office Equipment	2.8	3.7	1.7	1.2	4.5	4.9
Construction in Progress	17.5	13.1	2.8	4.6	20.3	17.7
Infrastructure Assets	86.0	87.6	-	-	86.0	87.6
Total	<u>\$ 191.8</u>	<u>\$ 183.5</u>	<u>\$ 235.6</u>	<u>\$ 233.1</u>	<u>\$ 427.4</u>	<u>\$ 416.6</u>

Major capital asset events during the current fiscal year included the following:

- Building and improvements increased with the completion of construction projects.
- Construction in progress increased with the issuance of capital-related debt.

**CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012**

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Section IV, Note D, in the Notes to the Financial Statements for further information regarding capital assets.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$267.6 million. Of this amount, \$86.6 million is general obligation bonds backed by the full faith and credit of the City and \$59.5 million in revenue bonds or certificates of obligation of the City's business enterprises. The remainder includes certificates of obligation of \$118.3 million of governmental activities.

During fiscal year 2012, the City's total bonded debt increased by approximately \$29.8 million. The increase is the result of the issuance of new debt to fund street/road projects, state highway projects, the procurement of capital equipment, and the renovation/equipping of the existing community center.

Outstanding Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 79.7	\$ 72.2	\$ 6.9	\$ 1.6	\$ 86.6	\$ 73.8
Revenue bonds	-	-	50.9	53.6	50.9	53.6
Certificates of obligation	118.3	93.3	8.6	15.7	126.9	109.0
Capital lease payable	-	0.2	-	-	-	0.2
Plus unamortized bond premiums/ (discounts)	6.0	2.7	2.3	1.5	8.3	4.2
Less deferred amounts on refunding	(2.1)	(0.9)	(3.0)	(2.1)	(5.1)	(3.0)
Total outstanding debt	<u>\$ 201.9</u>	<u>\$ 167.5</u>	<u>\$ 65.7</u>	<u>\$ 70.3</u>	<u>\$ 267.6</u>	<u>\$ 237.8</u>

The City's debt service management policies are designed to comply with the legal provisions of the various bond ordinances and covenants governing the debt issue. The City established separate interest and sinking funds for each general obligation bond, certificate of obligation, and revenue bond issued. In addition, bond insurance is obtained for each revenue bond issue as required. City policy attempts to maintain a fund balance of at least two months of annual appropriated expenditures for debt service and any associated fees as a fund balance in the debt service funds at fiscal year end.

The most recent debt issuances of the City of Killeen earned ratings from Standard & Poors and Fitch as follows:

**City of Killeen Bonded Debt Ratings
September 30, 2012**

Bond Type	Rating
General Obligation	AA
Utility Revenue Bond	AA
Certificates of Obligation	AA

CITY OF KILLEEN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2012

The state limits the legal amount of general obligation debt of a governmental entity to \$1.25 per \$100 valuation. The City's 2012 debt levy equaled \$0.5525 per \$100 assessed valuation, or 44.2 percent of the maximum allowed. Additional information on the City's long-term debt can be found in Section IV, Note F, of the notes to the Financial Statements.

Economic Factors and Next Years' Budget and Rates

At the time this MD&A was written, most of the leading indicators such as the stock market, money supply, and the labor market were still showing signs of a slow, but gradual economic recovery from the national recession. The housing sector has improved but household spending remains constrained by a weak labor market, sluggish income growth, lower housing wealth, and tight credit. A key to supporting economic growth will be labor market improvements in jobs and income. During the month of December, the national unemployment rate declined to 7.5 percent from 8.3 percent a year ago, and Killeen's unemployment rate declined to 6.6 percent in December as compared to 7.6 percent a year ago. Other local economic indicators in Killeen are showing signs of improvement. Sales tax revenues for the month of December have increased from last year's numbers by 1.4% along with year-to-date sales tax revenue, which has increased by 5.6% from the previous year. Hotel occupancy year-to-date tax revenues increased from last year's revenues by 15%.

The 2012-2013 budget is submitted in accordance with the provisions of our City Charter which requires the City Manager to submit a proposed budget between forty-five and ninety days prior to the beginning of each fiscal year. Management believes that this budget formulates a plan of municipal services that reflects the general directions and concerns of the City Council and the input from citizens received during the public forums. Many factors were considered in preparing the City's budget for fiscal year 2012-13, including national, state, and local economic trends. The concerns of our citizens and the priorities of the City Council were included in the development of the budget. The budget priorities for the 2012-13 fiscal year include:

- Maintaining fiscal soundness,
- Maintaining the ad valorem property tax rate,
- Aligning the budget with the strategic plan,
- Maintaining or improving service levels,
- Maintaining adequate employee compensation, and
- Identifying priorities for continued growth.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. If there are any questions about this report or additional financial information is needed, contact:

City of Killeen Finance Department
Martie C. Simpson, CPA
Interim Executive Director of Finance
101 North College
P. O. Box 1329
Killeen, TX 76540
(254) 501-7730

Or visit our website at:
<http://www.killeentexas.gov>

BASIC FINANCIAL STATEMENTS

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CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Killeen Economic Development Corp.
ASSETS				
Cash and cash equivalents	\$ 57,897,841	\$ 15,614,177	\$ 73,512,018	\$ 5,116,847
Investments	50,700,000	20,500,000	71,200,000	-
Receivables (net of allowances for uncollectibles):				
Grants	450,174	-	450,174	-
Taxes	4,083,678	-	4,083,678	-
Accounts	1,378,541	7,681,735	9,060,276	35,292
Notes	-	-	-	60,270
Accrued interest	198,909	99,441	298,350	-
Internal balances	313	(313)	-	-
Inventories	456,649	386,008	842,657	-
Prepaid items	-	625,000	625,000	-
Restricted assets:				
Cash and cash equivalents	516,309	4,810,039	5,326,348	-
Investments	-	3,500,000	3,500,000	-
Deferred charges	1,331,806	738,572	2,070,378	-
Other assets	105,188	-	105,188	101,931
Capital assets:				
Non-depreciable	25,073,097	4,443,613	29,516,710	2,303,392
Depreciable (net)	166,754,117	231,151,381	397,905,498	2,969,717
Total assets	<u>308,946,622</u>	<u>289,549,653</u>	<u>598,496,275</u>	<u>10,587,449</u>
LIABILITIES				
Accounts payable	2,234,146	2,290,515	4,524,661	-
Escrow payable	-	6,000	6,000	-
Due to other governments	4,257,064	-	4,257,064	-
Customer deposits	62,984	2,310,449	2,373,433	-
Accrued interest payable	1,578,401	388,787	1,967,188	-
Unearned revenue	169,547	19,454	189,001	-
Accrued salaries payable	930,007	242,199	1,172,206	-
Noncurrent liabilities				
Due within one year	6,752,629	5,029,735	11,782,364	-
Due in more than one year	203,509,640	61,358,635	264,868,275	888,052
Total liabilities	<u>219,494,418</u>	<u>71,645,774</u>	<u>291,140,192</u>	<u>888,052</u>
NET ASSETS				
Invested in capital assets, net of related debt	62,566,576	176,347,544	238,914,120	-
Restricted for:				
Debt service	4,893,750	7,999,802	12,893,552	-
Capital projects	2,089,363	6,666,298	8,755,661	-
Other purposes	3,045,444	-	3,045,444	-
Economic development	-	-	-	9,699,397
Unrestricted	16,857,071	26,890,235	43,747,306	-
Total net assets	<u>\$ 89,452,204</u>	<u>\$ 217,903,879</u>	<u>\$ 307,356,083</u>	<u>\$ 9,699,397</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF KILLEEN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 16,841,919	\$ 5,340,754	\$ 402,009	\$ 118,725
Police	27,239,221	893,428	413,629	110,408
Fire	17,869,191	2,884,153	83,367	58,882
Public works	11,038,454	-	-	647,381
Library	1,494,038	40,430	9,412	-
Parks and recreation	3,769,409	1,185,028	-	-
Community services	4,250,488	787,522	1,235,235	19,523
Golf	1,504,793	1,220,856	-	-
Interest on long-term debt	7,632,519	-	-	-
Total governmental activities	<u>91,640,032</u>	<u>12,352,171</u>	<u>2,143,652</u>	<u>954,919</u>
Business-type activities:				
Airport operations	7,244,913	4,470,443	-	517,768
Solid waste	13,019,791	15,366,604	-	-
Water and sewer	27,525,085	37,571,221	21,759	1,805,000
Drainage utility	2,778,690	3,732,993	-	-
Total business-type activities	<u>50,568,479</u>	<u>61,141,261</u>	<u>21,759</u>	<u>2,322,768</u>
Total primary government	<u>\$ 142,208,511</u>	<u>\$ 73,493,432</u>	<u>\$ 2,165,411</u>	<u>\$ 3,277,687</u>
Component Unit:				
Killeen Economic Development Corp.	<u>\$ 1,256,764</u>	<u>\$ 567,812</u>	<u>\$ 912,717</u>	<u>\$ -</u>

General revenues:

Taxes:

- Ad valorem taxes
- Penalties and interest
- Beverage taxes
- Franchise taxes
- City Sales taxes
- Bingo taxes

Investment income

Gain on sale of capital assets

Lease revenue

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this financial statement.

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business - Type Activities	Total	Killeen Economic Development Corp.
\$ (10,980,431)	\$ -	\$ (10,980,431)	\$ -
(25,821,756)	-	(25,821,756)	-
(14,842,789)	-	(14,842,789)	-
(10,391,073)	-	(10,391,073)	-
(1,444,196)	-	(1,444,196)	-
(2,584,381)	-	(2,584,381)	-
(2,208,208)	-	(2,208,208)	-
(283,937)	-	(283,937)	-
(7,632,519)	-	(7,632,519)	-
(76,189,290)	-	(76,189,290)	-
-	(2,256,702)	(2,256,702)	-
-	2,346,813	2,346,813	-
-	11,872,895	11,872,895	-
-	954,303	954,303	-
-	12,917,309	12,917,309	-
(76,189,290)	12,917,309	(63,271,981)	-
			223,765
34,033,003	-	34,033,003	-
254,874	-	254,874	-
202,262	-	202,262	-
5,621,923	-	5,621,923	-
21,557,147	-	21,557,147	-
218,269	-	218,269	-
502,041	144,151	646,192	5,025
27,600	31,364	58,964	-
166,113	27,500	193,613	-
7,970,841	(7,970,841)	-	-
70,554,073	(7,767,826)	62,786,247	5,025
(5,635,217)	5,149,483	(485,734)	228,790
95,087,421	212,754,396	307,841,817	9,470,607
\$ 89,452,204	\$ 217,903,879	\$ 307,356,083	\$ 9,699,397

CITY OF KILLEEN, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2012

	General Fund	2011 C.O. Bonds	2011A Pass Thru Financing 190/2410	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,401,453	\$ 6,708,319	\$ 18,979,293	\$ 24,808,776	\$ 57,897,841
Investments	13,700,000	17,500,000	9,000,000	10,500,000	50,700,000
Receivables (net of allowances for uncollectibles):					
Grants	115,457	-	-	334,717	450,174
Taxes	3,927,389	-	-	156,289	4,083,678
Accounts	1,314,020	-	-	64,521	1,378,541
Accrued interest	97,545	33,926	24,630	42,808	198,909
Due from other funds	55,366	-	-	313	55,679
Restricted assets:					
Cash and cash equivalents	492,440	-	-	23,869	516,309
Inventories	449,156	-	-	7,493	456,649
Prepaid assets	105,188	-	-	-	105,188
Total assets	<u>27,658,014</u>	<u>24,242,245</u>	<u>28,003,923</u>	<u>35,938,786</u>	<u>115,842,968</u>
LIABILITIES					
Accounts payable	746,654	319,062	2,687	1,165,743	2,234,146
Due to other governments	451,082	-	-	3,805,982	4,257,064
Due to other funds	-	-	-	55,366	55,366
Customer deposits	62,984	-	-	-	62,984
Accrued salaries payable	907,107	-	7,503	15,397	930,007
Vacation and sick leave payable	21,360	-	-	-	21,360
Unearned revenue	1,904,957	-	-	214,942	2,119,899
Total liabilities	<u>4,094,144</u>	<u>319,062</u>	<u>10,190</u>	<u>5,257,430</u>	<u>9,680,826</u>
FUND BALANCES					
Nonspendable:					
Inventories	449,156	-	-	7,493	456,649
Prepaid assets	105,188	-	-	-	105,188
Restricted for:					
Debt service	-	-	-	6,315,862	6,315,862
Capital projects	-	23,923,183	27,993,733	21,770,686	73,687,602
Other purposes	492,440	-	-	2,553,004	3,045,444
Committed to:					
Killeen Arts and Activities Center	-	-	-	34,311	34,311
Unassigned	22,517,086	-	-	-	22,517,086
Total fund balances	<u>23,563,870</u>	<u>23,923,183</u>	<u>27,993,733</u>	<u>30,681,356</u>	<u>106,162,142</u>
Total liabilities and fund balances	<u>\$ 27,658,014</u>	<u>\$ 24,242,245</u>	<u>\$ 28,003,923</u>	<u>\$ 35,938,786</u>	<u>\$ 115,842,968</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KILLEEN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 106,162,142
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.	191,827,214
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(209,685,698)
The net increase in the Other Post Employment Benefit Obligation (OPEB) is not due and payable in the current period and, therefore, is not reported in the funds.	(801,806)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>1,950,352</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 89,452,204</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF KILLEEN, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	2011 C.O. Bonds	2011A Pass Thru Financing 190/2410	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$51,269,833	\$ -	\$ -	\$ 10,723,855	\$ 61,993,688
Licenses and permits	1,396,708	-	-	-	1,396,708
Intergovernmental	708,341	-	-	1,359,130	2,067,471
Charges for services	5,486,497	-	-	465,714	5,952,211
Fines	2,390,901	-	-	917,906	3,308,807
Contributions	423,348	-	-	27,184	450,532
Miscellaneous	1,037,278	107,133	61,738	725,045	1,931,194
Total revenues	<u>62,712,906</u>	<u>107,133</u>	<u>61,738</u>	<u>14,218,834</u>	<u>77,100,611</u>
EXPENDITURES					
Current:					
General government	9,013,405	-	-	1,690,615	10,704,020
Public safety	40,775,286	-	-	742,591	41,517,877
Public works	3,696,299	136,568	160,497	1,104,631	5,097,995
Community services	7,320,501	-	-	1,538,313	8,858,814
Miscellaneous	5,451,968	-	-	-	5,451,968
Capital outlay	758,245	4,498,969	269,050	14,099,782	19,626,046
Debt service:					
Principal	229,602	-	-	5,345,500	5,575,102
Interest	11,585	-	-	7,571,531	7,583,116
Fiscal charges	-	-	-	14,245	14,245
Costs of issuance	-	-	143,637	192,464	336,101
Total expenditures	<u>67,256,891</u>	<u>4,635,537</u>	<u>573,184</u>	<u>32,299,672</u>	<u>104,765,284</u>
Deficiency of revenues under expenditures	<u>(4,543,985)</u>	<u>(4,528,404)</u>	<u>(511,446)</u>	<u>(18,080,838)</u>	<u>(27,664,673)</u>
OTHER FINANCING SOURCES (USES)					
Capitalized interest received on debt	-	-	(1,827,023)	1,827,023	-
Issuance of capital-related debt	-	-	31,400,000	7,920,000	39,320,000
Refunding bonds issued	-	-	-	18,345,000	18,345,000
Premium on issuance of debt	-	-	578,787	2,813,170	3,391,957
Payment to bond escrow agent	-	-	-	(20,930,885)	(20,930,885)
Transfers in	8,857,364	-	-	1,400,103	10,257,467
Transfers out	-	-	(1,646,585)	(640,041)	(2,286,626)
Total other financing sources (uses)	<u>8,857,364</u>	<u>-</u>	<u>28,505,179</u>	<u>10,734,370</u>	<u>48,096,913</u>
Net changes in fund balances	4,313,379	(4,528,404)	27,993,733	(7,346,468)	20,432,240
Fund balances, October 1	19,250,491	28,451,587	-	38,027,824	85,729,902
Fund balances, September 30	<u>\$23,563,870</u>	<u>\$23,923,183</u>	<u>\$ 27,993,733</u>	<u>\$ 30,681,356</u>	<u>\$ 106,162,142</u>

The accompanying notes are an integral part of this financial statement.

CITY OF KILLEEN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds \$ 20,432,240

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This reconciling item represents the amount by which capital outlays exceeded depreciation in the current period. 8,280,907

The issuance of long-term debt (i.e. bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items. (34,233,765)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This reconciling item reflects the net of such expenses. (667,412)

Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds. This reconciling item represents the total of such revenues. 552,813

Change in net assets of governmental activities - statement of activities \$ (5,635,217)

The accompanying notes are an integral part of this financial statement.

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2012**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,827,495	\$ 1,463,058	\$ 8,949,632
Investments	-	1,500,000	15,000,000
Receivables (net of allowances for uncollectibles):			
Accounts	90,339	1,905,681	5,376,912
Accrued interest	-	1,178	74,492
Inventories	102,469	-	283,539
Prepaid items	-	-	625,000
Restricted assets:			
Cash and cash equivalents	448,899	9,230	2,875,670
Investments	-	-	3,500,000
Deferred charges	-	135,516	518,523
Total current assets	<u>3,469,202</u>	<u>5,014,663</u>	<u>37,203,768</u>
Noncurrent assets:			
Property and equipment:			
Land	1,319,003	72,165	243,332
Buildings and improvements	98,771,798	11,992,713	93,692,116
Improvements other than buildings	-	-	90,241,803
Furniture and equipment	1,994,295	3,961,568	4,299,855
Vehicles	868,374	9,917,838	3,563,580
Construction in progress	553,550	-	2,255,563
Less accumulated depreciation	(30,821,769)	(14,816,302)	(48,171,145)
Net property and equipment	<u>72,685,251</u>	<u>11,127,982</u>	<u>146,125,104</u>
Total assets	<u>\$76,154,453</u>	<u>\$16,142,645</u>	<u>\$ 183,328,872</u>

The accompanying notes are an integral part of this financial statement.

EXHIBIT A-7

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 2,373,992	\$ 15,614,177
4,000,000	20,500,000
308,803	7,681,735
23,771	99,441
-	386,008
-	625,000
1,476,240	4,810,039
-	3,500,000
84,533	738,572
<u>8,267,339</u>	<u>53,954,972</u>
-	1,634,500
-	204,456,627
5,754,376	95,996,179
1,016,517	11,272,235
1,038,951	15,388,743
-	2,809,113
(2,153,187)	(95,962,403)
<u>5,656,657</u>	<u>235,594,994</u>
<u>\$ 13,923,996</u>	<u>\$ 289,549,966</u>

(Continued)

**CITY OF KILLEEN, TEXAS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS (CONTINUED)
SEPTEMBER 30, 2012**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 146,706	\$ 355,702	\$ 1,719,249
Escrow payable	6,000	-	-
Due to other funds	-	-	313
Customer deposits	-	-	2,310,449
Accrued salaries payable	36,290	77,301	104,512
Vacation and sick leave payable	6,889	13,731	20,157
Deferred revenue	1,575	12,455	5,424
Current portion of general obligation bonds payable	-	-	4,325,302
Current portion of certificate of obligation bonds payable	-	349,996	-
Restricted accrued interest payable	-	61,176	283,510
Total current liabilities	<u>197,460</u>	<u>870,361</u>	<u>8,768,916</u>
Noncurrent liabilities:			
Vacation and sick leave payable	107,925	215,126	315,789
General obligation bonds payable - long-term	-	6,215,000	46,334,468
Certificate of obligation bonds payable - long-term	-	2,611,786	-
Total non-current liabilities	<u>107,925</u>	<u>9,041,912</u>	<u>46,650,257</u>
Total liabilities	<u>305,385</u>	<u>9,912,273</u>	<u>55,419,173</u>
NET ASSETS			
Investment in capital assets (net of related debt)	72,685,251	1,951,238	97,590,278
Restricted:			
Debt service	-	717,057	6,703,137
Capital projects	-	-	3,451,943
Unrestricted	<u>3,163,817</u>	<u>3,562,077</u>	<u>20,164,341</u>
Total net assets	<u>75,849,068</u>	<u>6,230,372</u>	<u>127,909,699</u>
Total liabilities and net assets	<u>\$76,154,453</u>	<u>\$16,142,645</u>	<u>\$ 183,328,872</u>

The accompanying notes are an integral part of this financial statement.

EXHIBIT A-7 (CONT'D)

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 68,858	\$ 2,290,515
-	6,000
-	313
-	2,310,449
24,096	242,199
2,232	43,009
-	19,454
-	4,325,302
311,428	661,424
44,101	388,787
<u>450,715</u>	<u>10,287,452</u>
34,973	673,813
-	52,549,468
<u>5,523,568</u>	<u>8,135,354</u>
<u>5,558,541</u>	<u>61,358,635</u>
<u>6,009,256</u>	<u>71,646,087</u>
4,120,777	176,347,544
579,608	7,999,802
3,214,355	6,666,298
-	26,890,235
<u>7,914,740</u>	<u>217,903,879</u>
<u>\$ 13,923,996</u>	<u>\$ 289,549,966</u>

CITY OF KILLEEN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
OPERATING REVENUES			
Charges for services	\$ 4,470,443	\$ 14,777,531	\$ 37,292,996
Miscellaneous	-	589,073	278,225
Total operating revenues	<u>4,470,443</u>	<u>15,366,604</u>	<u>37,571,221</u>
OPERATING EXPENSES			
Purchase of water	-	-	6,692,095
Sewage treatment	-	-	5,452,759
Salaries	1,628,110	3,463,335	4,676,423
Employee benefits	428,558	988,612	1,288,341
Repairs and maintenance	269,508	2,040,958	887,715
Supplies	90,655	886,437	716,969
Depreciation	3,546,201	1,437,543	4,505,757
Miscellaneous services and charges	1,281,881	375,436	1,659,664
Refuse disposal costs	-	3,417,524	-
Total operating expenses	<u>7,244,913</u>	<u>12,609,845</u>	<u>25,879,723</u>
Operating income (loss)	<u>(2,774,470)</u>	<u>2,756,759</u>	<u>11,691,498</u>
NON-OPERATING REVENUES (EXPENSES)			
Proceeds from sale of equipment	-	31,364	-
Lease revenue	-	27,500	-
Investment revenue	4,074	7,595	103,721
Industrial development	-	-	(778,030)
Interest and fiscal charges	-	(409,946)	(867,332)
Total non-operating revenues (expenses)	<u>4,074</u>	<u>(343,487)</u>	<u>(1,541,641)</u>
Income (loss) before contributions and transfers	<u>(2,770,396)</u>	<u>2,413,272</u>	<u>10,149,857</u>
CONTRIBUTIONS AND TRANSFERS			
Contributions - other	-	-	21,759
Contributions - capital	517,768	-	1,805,000
Transfers out	(760,000)	(2,181,337)	(4,761,667)
Total contributions and transfers	<u>(242,232)</u>	<u>(2,181,337)</u>	<u>(2,934,908)</u>
Change in net assets	(3,012,628)	231,935	7,214,949
Beginning net assets, October 1	78,861,696	5,998,437	120,694,750
Ending net assets, September 30	<u>\$ 75,849,068</u>	<u>\$ 6,230,372</u>	<u>\$ 127,909,699</u>

The accompanying notes are an integral part of this financial statement.

EXHIBIT A-8

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 3,732,993	\$ 60,273,963
-	867,298
<u>3,732,993</u>	<u>61,141,261</u>
-	6,692,095
-	5,452,759
957,090	10,724,958
288,093	2,993,604
336,457	3,534,638
168,644	1,862,705
442,617	9,932,118
300,647	3,617,628
-	3,417,524
<u>2,493,548</u>	<u>48,228,029</u>
<u>1,239,445</u>	<u>12,913,232</u>
-	31,364
-	27,500
28,761	144,151
-	(778,030)
<u>(285,142)</u>	<u>(1,562,420)</u>
<u>(256,381)</u>	<u>(2,137,435)</u>
<u>983,064</u>	<u>10,775,797</u>
-	21,759
-	2,322,768
<u>(267,837)</u>	<u>(7,970,841)</u>
<u>(267,837)</u>	<u>(5,626,314)</u>
715,227	5,149,483
7,199,513	212,754,396
<u>\$ 7,914,740</u>	<u>\$ 217,903,879</u>

**CITY OF KILLEEN, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,559,208	\$ 15,186,682	\$ 37,219,400
Receipts from interfund services provided	-	-	54,388
Payments to suppliers	(1,852,868)	(6,913,977)	(15,396,150)
Payments to employees	(2,049,754)	(4,468,042)	(5,927,417)
Payments for interfund services used	-	(31,799)	(67,954)
Net cash provided by operating activities	<u>656,586</u>	<u>3,772,864</u>	<u>15,882,267</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Industrial development	-	-	(778,030)
Transfers out to other funds	(760,000)	(2,181,337)	(4,761,667)
Net cash used by noncapital financing activities	<u>(760,000)</u>	<u>(2,181,337)</u>	<u>(5,539,697)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions/grants	517,768	-	499,759
Purchase and construction of capital assets	(2,009,950)	(1,224,017)	(6,195,952)
Proceeds from sale of capital assets	-	31,364	-
Lease revenue	-	27,500	-
Principal paid on long-term debt	-	(335,000)	(4,234,500)
Interest and fees paid on long-term debt	-	(407,583)	(757,344)
Net cash used by capital and related financing activities	<u>(1,492,182)</u>	<u>(1,907,736)</u>	<u>(10,688,037)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	-	-	(3,800,000)
Interest and dividends on investments	4,074	7,595	103,721
Net cash provided (used) by investing activities	<u>4,074</u>	<u>7,595</u>	<u>(3,696,279)</u>
Net decrease in cash and cash equivalents	(1,591,522)	(308,614)	(4,041,746)
Cash and cash equivalents at beginning of year (including \$2,060,826, \$260,559, \$6,584,343, and \$2,973,934 for the Airport, Solid Waste, Water and Sewer, and Drainage Utility funds, respectively, reported in restricted cash accounts)	<u>4,867,916</u>	<u>1,780,902</u>	<u>15,867,048</u>
Cash and cash equivalents at end of year (including \$448,899, \$9,230, \$2,875,670, and \$1,476,240 for the Airport, Solid Waste, Water and Sewer, and Drainage Utility funds, respectively, reported in restricted cash accounts)	<u>\$ 3,276,394</u>	<u>\$ 1,472,288</u>	<u>\$ 11,825,302</u>

The accompanying notes are an integral part of this financial statement.

EXHIBIT A-9

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 3,684,324	\$ 60,649,614
-	54,388
(892,223)	(25,055,218)
(1,239,070)	(13,684,283)
-	(99,753)
<u>1,553,031</u>	<u>21,864,748</u>
-	(778,030)
(267,837)	(7,970,841)
<u>(267,837)</u>	<u>(8,748,871)</u>
-	1,017,527
(1,706,741)	(11,136,660)
-	31,364
-	27,500
(300,000)	(4,869,500)
(277,656)	(1,442,583)
<u>(2,284,397)</u>	<u>(16,372,352)</u>
-	(3,800,000)
28,761	144,151
<u>28,761</u>	<u>(3,655,849)</u>
(970,442)	(6,912,324)
<u>4,820,674</u>	<u>27,336,540</u>
<u>\$ 3,850,232</u>	<u>\$ 20,424,216</u>

(Continued)

**CITY OF KILLEEN, TEXAS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Airport Enterprise Fund	Solid Waste Enterprise Fund	Water and Sewer Enterprise Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (2,774,470)	\$ 2,756,759	\$ 11,691,498
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	3,546,201	1,437,543	4,505,757
Changes in assets and liabilities:			
Decrease (increase) in receivables	88,765	(179,922)	(354,759)
Decrease (increase) in due from other funds	-	-	54,388
Decrease (increase) in inventories	(9,430)	-	(35,293)
Increase (decrease) in payables	(201,394)	(193,622)	(110,009)
Increase (decrease) in due to other funds	-	(31,799)	(67,954)
Increase (decrease) in customer deposits	-	-	158,354
Increase (decrease) in accrued salaries payable	(2,866)	(1,575)	937
Increase (decrease) in vacation and sick leave payable	9,780	(14,520)	36,410
Increase (decrease) in deferred revenue	-	-	2,938
Total adjustments	<u>3,431,056</u>	<u>1,016,105</u>	<u>4,190,769</u>
Net cash provided by operating activities	<u>\$ 656,586</u>	<u>\$ 3,772,864</u>	<u>\$ 15,882,267</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets	\$ -	\$ -	\$ 1,327,000
Refunding bonds issued	-	290,000	655,000

The accompanying notes are an integral part of this financial statement.

EXHIBIT A-9 (CONT'D)

Drainage Utility Enterprise Fund	Total Enterprise Funds
\$ 1,239,445	\$ 12,913,232
442,617	9,932,118
(48,669)	(494,585)
-	54,388
-	(44,723)
(86,475)	(591,500)
-	(99,753)
-	158,354
2,491	(1,013)
3,622	35,292
-	2,938
<u>313,586</u>	<u>8,951,516</u>
<u>\$ 1,553,031</u>	<u>\$ 21,864,748</u>

\$ -	\$ 1,327,000
-	945,000

**CITY OF KILLEEN, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
EMPLOYEE BENEFITS TRUST FUND
SEPTEMBER 30, 2012**

ASSETS

Cash and cash equivalents	\$ 43,786
Accounts receivable	502,749
Total assets	<u>\$ 546,535</u>

LIABILITIES AND NET ASSETS

Liabilities:

Distributions payable	\$ 517,413
Total liabilities	<u>517,413</u>

Net Assets:

Net assets held in trust for employee benefits	29,122
Total net assets	<u>29,122</u>

Total liabilities and net assets	<u>\$ 546,535</u>
----------------------------------	-------------------

The accompanying notes are an integral part of this financial statement.

**CITY OF KILLEEN, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EMPLOYEE BENEFITS TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

ADDITIONS

Contributions:

Employer contributions	\$ 3,655,509
Employee contributions	2,138,074
Retiree contributions	285,642
COBRA contributions	89,632
Total contributions	<u>6,168,857</u>

DEDUCTIONS

Benefit payments	6,161,183
Administrative expenses	137
Total deductions	<u>6,161,320</u>
Net increase	7,537
Net assets - beginning of the year	<u>21,585</u>
Net assets - end of the year	<u>\$ 29,122</u>

The accompanying notes are an integral part of this financial statement.

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Killeen, Texas, a Home-Rule Municipal Corporation, organized and existing under the Provisions of the Constitution of the State of Texas, adopted its Charter March 3, 1949. The City operates under the Council-Manager form of government and provides the following services as authorized by its Charter: public safety (police and fire), public works, community services, solid waste, water and sewer, airport, drainage and general administrative services. The financial statements of the City of Killeen, Texas, (the primary government) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Discretely presented component unit The Killeen Economic Development Corporation (KEDC) is a legally separate entity from the City. KEDC was created for the purpose of promoting economic development within the City of Killeen. The number of members may be increased or decreased by the City of Killeen City Council, and the members are also appointed by the City of Killeen City Council. There are three members nominated by and representing each of the following organizations: three from the City of Killeen Mayor and City Council, three from the Greater Killeen Chamber of Commerce, and three from the Killeen Industrial Foundation. Advisory members may be appointed by the City of Killeen City Council as ex officio members of KEDC, but they are non-voting members. KEDC has been included in the reporting entity as a non-major discretely presented component unit of the City because the City appoints a voting majority of the board, provides approximately 60% of funding for the board and maintains the ability to impose its will on the board. Complete financial statements for KEDC may be obtained at the entity's administrative offices, which are located at: One Santa Fe Plaza, P.O. Box 548, Killeen, TX 76540.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Statements The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Fund Financial Statements Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The non-major funds are combined in a separate column in the fund financial statements, and are detailed in the combining section of the statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component unit on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City. The government-wide statement of activities reflects depreciation expenses on the City's capital assets. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In addition to the government-wide financial statements, the City has prepared governmental fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, penalties, interest revenue, and charges for services. Sales and other taxes are recognized in the period that the exchange transaction on which the tax is imposed occurs. Fines, permits, beverage and bingo taxes are not susceptible to accrual because, generally, they are not measurable until received in cash. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. Revenue is recognized in subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

business-type activities and enterprise funds, subject to this same limitation. The City has chosen not to follow subsequent private-sector guidance.

Proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste, drainage utility, and airport funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental funds:

General Fund – is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets, parks and recreation, and general governmental services.

2011 Certificates of Obligation Bond Fund – is a capital projects fund that accounts for various street, road, bridge, and sidewalk projects financed through bond proceeds.

2011A Pass Thru Financing 190/2410 – is a capital projects fund that accounts for projects on the State highway system in the City financed through bond proceeds.

Additionally, the City reports the following fund types:

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources (other than those listed below) that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Funds – are used to account for and report financial resources that are restricted, committed or assigned to be used for the acquisition or construction of major capital projects.

Debt Service Funds – are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term debt of governmental funds.

The City reports the following major enterprise funds:

Airport Fund – is used to account for the provision of airport facilities. All activities necessary to provide such services are accounted for in this fund.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Solid Waste Fund – is used to account for the provision of solid waste collection and disposal services to customers who are billed monthly at a rate sufficient to cover the cost of providing the service.

Water and Sewer Fund – is used to account for water and sewer operations. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities.

Drainage Utility Fund – is used to account for financial resources to be used for the construction and maintenance of the drainage utility facilities.

The City also reports an Employee Benefits Trust Fund, which accounts for the City’s health and life insurance benefits. It does not include pension information.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1) Deposits and Investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value based on quoted market values. The City is authorized to invest funds in the following:

- i. Obligations of the United States or its agencies and instrumentalities;
- ii. Direct obligations of the State of Texas or its agencies and instrumentalities;
- iii. Financial institution deposits with a state or national bank, savings and loan association, or credit union, that meet the requirements of the Public Funds Investment Act and are fully collateralized;
- iv. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed with the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
- v. Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent;
- vi. Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act;
- vii. Eligible investment pools in accordance with the Public Funds Investment Act;
- viii. Eligible money market mutual funds that are registered with and regulated by the Securities and Exchange Commission.

2) Interfund Transactions and Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Interfund transactions, other than reimbursements, are reported as transfers.

Short-term advances between funds, due to the use of a central cash pool, are accounted for in the appropriate interfund receivable and payable accounts. All ending balances in the current year represent short-term financing of related activity that the City intends to settle within one year. Transfers of a recurring or routine nature are legally authorized and are included in the operations of both governmental and enterprise funds.

3) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general fund and the special revenue funds. Encumbrances outstanding at year-end lapse and are rolled into the following fiscal year budget.

4) Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5) Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because their use is limited by Council commitment, donor restriction or applicable bond covenants.

6) Capital Assets

Property, plant, equipment, and infrastructure assets (i.e. roads, bridges, sidewalks, and similar items) purchased or acquired is carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Capital assets are defined by the City using the following thresholds:

Asset Class	Threshold
Land/land improvements	Capitalize All
Buildings/building improvements	\$ 25,000
Facilities and other improvements	\$ 25,000
Infrastructure	\$ 25,000
Furniture, fixtures, equipment	\$ 5,000
Vehicles	\$ 5,000
Library books/materials (collections)	Capitalize All
Works of art/historical treasures	Capitalize All
Leasehold improvements	\$ 25,000

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The amount of interest expense, incurred from the date of the borrowing until completion of the project, is offset by interest earned on invested proceeds over the same period.

Capital assets of the City are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings and improvements	15-30
Improvements - other	10-20
Infrastructure	10-50
Furniture, fixtures, equipment	3-10
Vehicles	5-10

The useful lives used for GASB 34 depreciation purposes differ from the City's asset replacement criteria.

7) **Compensated Absences**

Accruals for vacation and sick pay are reflected in the government-wide and enterprise financial statements for unpaid amounts of vacation and sick pay earned by employees. In the event of termination, all permanent employees will be reimbursed for accrued vacation time. All full-time employees, other than policemen and firemen, upon retirement only, will be reimbursed for accrued sick pay up to 720 hours. Policemen and firemen, upon resignation or retirement, will be reimbursed for accrued sick up to 720 and 1080 hours, respectively.

The governmental funds report a liability for these amounts only if they have matured, for example, as a result of employee resignations and retirements.

Actual vacation and sick benefits paid during the current year that were not accrued in the prior year, are recorded as expenditures in the general fund. For enterprise funds, vacation and sick pay are recorded as an expense when earned.

8) **Long-Term Obligations**

In the government-wide financial statements and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. This has been implemented in the government-wide financial statements prospectively.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9) Fund Balances

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Nonspendable fund balance – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantors or contributors, laws or regulations of other governments, through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes, pursuant to constraints imposed and/or removed by the City Council through an ordinance or resolution.

Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the City Manager to assign, remove or modify fund balance assigned constraints to a specific purpose.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

For the classification of fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

The City Council has established a minimum fund balance guideline for the general fund and net assets for the enterprise funds collectively. As a general practice, the City will strive to maintain fund balances/net assets equal to 22% or above of operating expenditures.

10) Comparative Data/Reclassifications

Comparative data have not been presented in the accompanying financial statements because their inclusion would make certain statements unduly complex and difficult to understand.

11) Pension Plans

It is the policy of the City to fund annual pension costs, which are composed of normal cost and amortization of unfunded prior service cost.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

12) Deferred Revenues

Deferred revenues are those where an asset has been recognized for revenue that has been earned, but not yet available to finance expenditures of the current fiscal period. The City has reported in the fund financial statements the following as deferred revenues:

	Fund			Total Governmental Funds
	General	Special Revenue	Debt Service	
Property taxes receivable	\$ 557,112	\$ -	\$ 156,289	\$ 713,401
Miscellaneous	179,343	-	-	179,343
Ambulance fees receivable	620,962	-	-	620,962
Municipal court receivable	454,773	10,910	-	465,683
Intergovernmental	-	47,743	-	47,743
Parks and recreation	92,767	-	-	92,767
Total deferred revenue	<u>\$ 1,904,957</u>	<u>\$ 58,653</u>	<u>\$ 156,289</u>	<u>\$ 2,119,899</u>

13) Other Post-Employment Benefits

In the government-wide financial statements, other post-employment benefit (OPEB) liabilities are reported as liabilities for the amount that the annual required contribution exceeds the amount funded by the City on a cumulative basis. The City began reporting this liability for fiscal year 2009 on a prospective basis.

14) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the actuarial calculations used to determine the annual required contributions and related liabilities of the City's post-employment obligation are based on assumptions about the possibility of events far into the future. Accordingly, actual results could differ from those estimates.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation *between fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$209,685,698 difference are as follows:

General obligation bonds payable	\$ (79,662,700)
Certificates of obligation bonds payable	(118,365,000)
Less: Unamortized bond issuance costs - deferred charges	1,331,806
Less: Deferred amount on refunding	2,088,043
Plus: Unamortized premium (discount)	(5,995,983)
Accrued interest payable	(1,578,401)
Vacation and sick leave payable (in excess fund financial statement liability)	<u>(7,503,463)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (209,685,698)</u></u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$8,280,907 difference are as follows:

Capital outlay	\$ 19,626,046
Developer contributions	380,550
Depreciation expense	<u>(11,725,689)</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of governmental activities	<u><u>\$ 8,280,907</u></u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$34,233,765 difference are as follows:

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (10,325,000)
Issuance of certificates of obligation bonds	(27,635,000)
Less: Deferred amount on refunding	1,225,890
Less: Bond issuance costs	317,200
Less: Bond discount/premium	(3,391,957)
Principal repayments:	
General obligation debt	2,825,500
Certificate of obligation debt	2,520,000
Capital lease payable	<u>229,602</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (34,233,765)</u></u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$667,412 difference are as follows:

Other Post Employment Benefits	\$ (193,280)
Vacation and sick leave	(166,443)
Accrued interest	(316,479)
Amortization of bond premium	130,977
Amortization of bond issuance costs	(62,157)
Amortization of amount deferred on refunding	<u>(60,030)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (667,412)</u></u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for salary accruals, sales tax receivables, and the use of encumbrances as discussed below. Annual appropriated budgets are adopted for the General, Special Revenue (except for Fire State Seizure, Parks and Lion's Club Park) and Enterprise funds. Project-length financial plans are adopted for all Capital Projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end lapse and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits a proposed budget to the City Council for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. On or before September 20, the budget is legally adopted by the City Council.
3. Subsequent to enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget which may result in a change in total appropriations as long as total estimated expenditures do not exceed total estimated resources. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the department. Each special revenue fund represents a single department. The City Manager may reallocate expenditures within a department without prior City Council approval.
4. Formal budgetary integration is employed as a management control device by expenditure category for the following funds, which have legally adopted annual budgets: general fund, special revenue funds and enterprise funds. Formal annual budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Annual budgetary integration is not employed for the capital projects funds because the contracts and projects in these funds provide effective project-length budgetary control.
5. Budgets for the general fund, the special revenue funds, and enterprise funds are adopted on a basis specified by the charge of the City of Killeen. For the general and special revenue funds, this basis is consistent with the modified accrual basis of accounting. The budgetary comparison presented in this report is on the budgetary basis, which differs with generally accepted accounting principles.
6. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods except for appropriations for major capital projects.

During the year, no material supplemental appropriations were adopted.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

All of the City's demand depository accounts are held in a local banking institution under the terms of a written depository contract. The City's policy requires the depository bank to secure the City's funds on a day-to-day basis with approved pledged securities with a fair value equal to, but not less than, one hundred percent of the amount on deposit. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2012, the City's deposit balance was fully collateralized with securities held by the pledging financial institution. The City's policy is to maximize its earnings potential by keeping a majority of the City's funds on deposit with external investment pools. Funds are transferred from the pools, as needed, to ensure that the bank balance remains positive at all times.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Cash and Investments

Investments are made in accordance with the Investment Policy updated and adopted by the City on May 24, 2011 and subsequently on August 28, 2012 to comply with the Public Funds Investment Act. This policy, which is applicable to all City funds, permits investments that are in the Notes to the Financial Statements detailed at Note I. D. 1).

The Investment Policy is consistent with statutory limitations of the State of Texas, requiring collateralization of deposits on a dollar for dollar basis, or Treasury Issues, which are backed by the full faith and credit of the United States Government; therefore, the City was not exposed to custodial credit risk during the fiscal year ended September 30, 2012.

The City's deposit and investment policy addresses the following risks:

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments, held by an outside party, are fully insured and backed by the U. S. Government and, registered in the name of the City. It is the City's policy to ensure that potential brokers/dealers are in good standing with the National Association of Securities Dealers, registered with the Texas State Securities Board and reports to the Market Reports Division of New York. Therefore, the City is not exposed to custodial credit risk on its investments.

Interest Rate Risk – Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value of those securities if interest rates rise. The allowed maturity of any individual investment owned by the City shall not exceed two years at the time of purchase. Pooled funds shall have a weighted maximum average dollar maturity of less than ninety days, with the maximum maturity for any individual security in the portfolio not to exceed thirteen months. Limiting investment maturities and purchasing government securities are the City's means for limiting exposure to fair value losses arising from interest rate fluctuations.

Credit risk – Any securities which may be added should meet the requirements of the State of Texas as permissible investments for municipal governments which are in compliance with the Public Funds Investment Act. Investment pools must be continually rated AAA by at least one nationally recognized rating service or not lower than investment grade by at least one nationally recognized rating service with a weighted average maturity not greater than 90 days. Market mutual funds must be registered with and regulated by the Securities and Exchange Commission and must provide the City with a prospectus and other information required by federal law. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. All of the City's investments are explicitly guaranteed by the U. S. Government or invested in an external investment pool and therefore, are not exposed to concentration risk.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

The following summarizes investments of City Funds:

	Fair Value	Weighted Average Maturity (years)	Credit Rating
TexPool *	\$ 48,154,937	0.003	AAAm
TexStar *	3,639,231	0.003	AAAm
TexasTerm *	2,779,239	0.003	AAAm
Money Market Accounts	23,540,231	0.003	AA+
Certificates of Deposit	74,989,054	0.341	AA+
Total fair value	<u>\$ 153,102,692</u>		
Portfolio weighted average maturity		0.168	

* External investment pools and money market accounts are considered cash and cash equivalents due to liquidity.

Fair values of the U.S. Treasury securities and U. S. Agencies investments are based on quoted fair values. In accordance with Governmental Accounting Standards Board Statement (GASB) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," these securities are reported at fair value. All unrealized gains/losses are reported as net increases (decreases) in the fair value of investments. The City has elected to report short term as well as long-term U. S. Treasury Agency securities at fair value.

External Investment Pools:

The City uses the following external investment pools:

TexPool

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool (the Texas Local Government Investment Pool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Finally, as a requirement to maintain the credit rating, weekly portfolio information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar

The Texas Short Term Asset Reserve Program (TexStar) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Investment Act, Chapter 2256 of the Texas Government Code. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar. TexStar will invest only in instruments authorized under both the Public Funds Investment Act and the current TexStar Investment Policy. The primary objectives of TexStar are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants' needs, diversification to avoid unreasonable or avoidable risks, and yield. In order to comply with the Public Funds Investment Act, TexStar maintains a AAAM rating from Standard & Poors which monitors weekly the fund's compliance with its rating requirements.

TexStar operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The TexStar Cash Reserve Fund seeks to maintain a net asset value of \$1.00 per unit and provides participants with the investment of funds that require daily liquidity availability. All investments are stated at amortized cost, which closely approximates the fair value of the securities. All TexStar securities are marked to market on a daily basis.

TexasTerm

The TexasTerm Local Government Investment Pool was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, school districts and other public investors. TexasTerm offers participants two investment portfolio options: TexasTerm and TexasDaily. TexasTerm is a fixed rate, fixed term portfolio option rated AAAM by Standard and Poor's Corporation. Participants may lock in a fixed rate for a term of 60 to 365 days.

The Pool is directed by an Advisory Board of experienced local governmental finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field. The TexasTerm Program is managed by a team of industry leaders known throughout Texas for superior service and advice.

TexasTerm operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexasTerm uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexasTerm is the same as the value of TexasTerm shares.

The Program also has an Advisory Board made up of representatives of several participating local governments who meet periodically to discuss TexasTerm's services and provide recommendations for enhancements.

B. PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessed value for the roll of January 1, 2011, upon which the 2012 fiscal year levy was based, was \$4,726,643,478.

The tax assessment of October 1, 2011 set a tax levy at \$.7428 per \$100 of assessed valuation at 100 percent of assumed market value. The City may levy a tax of up to \$1.50 per \$100 of assessed valuations for operations and maintenance purposes.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Taxes are due by January 1 following the October 1 levy date, at which time a lien attaches to the property. Tax collections during the fiscal year ended September 30, 2012, for the fiscal year 2012 tax levy, were 96.8 percent of the total tax levy for that year.

Delinquent property taxes, estimated to be collectible within 60 days after the fiscal year end, are recognized as revenues. Other delinquent property taxes are recorded as deferred revenue.

At September 30, 2012, delinquent property taxes receivable were \$713,401, net of allowance for uncollectible accounts of \$237,800.

Since 1982, the appraisal of property within the City has been the responsibility of the county-wide appraisal district. The appraisal district is required under the property tax code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessments ratios. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, and adjusted for new improvements, exceeds the rate of the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

C. RECEIVABLES

Receivables at September 30, 2012 for the City's individual major governmental funds, in the aggregate non-major governmental funds, and proprietary funds, net of allowances for uncollectible accounts, consist of the following:

	General	2011 C.O. Bonds	2011A Pass Thru Financing 190/2410	Other Governmental Funds	Airport	Solid Waste	Water & Sewer	Drainage Utility	Total	Employee Benefits Trust
Receivables:										
Grants	\$ 115,457	\$ -	\$ -	\$ 334,717	\$ -	\$ -	\$ -	\$ -	\$ 450,174	\$ -
Taxes	3,927,389	-	-	156,289	-	-	-	-	4,083,678	-
Accounts	1,314,020	-	-	64,521	90,339	1,905,681	5,376,912	308,803	9,060,276	502,749
Accrued interest	97,545	33,926	24,630	42,808	-	1,178	74,492	23,771	298,350	-
Total Net										
Receivables	<u>\$ 5,454,411</u>	<u>\$ 33,926</u>	<u>\$ 24,630</u>	<u>\$ 598,335</u>	<u>\$ 90,339</u>	<u>\$ 1,906,859</u>	<u>\$ 5,451,404</u>	<u>\$ 332,574</u>	<u>\$ 13,892,478</u>	<u>\$ 502,749</u>

The enterprise funds accounts receivable include unbilled charges for services rendered at September 30, 2012.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

Primary Government

	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,570,005	\$ -	\$ -	\$ 7,570,005
Construction in progress	13,114,713	16,542,603	(12,154,224)	17,503,092
Total capital assets not being depreciated	<u>20,684,718</u>	<u>16,542,603</u>	<u>(12,154,224)</u>	<u>25,073,097</u>
Capital assets, being depreciated:				
Buildings and improvements	88,490,194	8,731,073	-	97,221,267
Vehicles	21,275,928	2,653,713	(1,324,522)	22,605,119
Furniture, fixtures, and equipment	23,533,764	429,223	(12,573)	23,950,414
Infrastructure Assets	190,750,781	3,804,208	-	194,554,989
Total capital assets being depreciated	<u>324,050,667</u>	<u>15,618,217</u>	<u>(1,337,095)</u>	<u>338,331,789</u>
Less accumulated depreciation for:				
Buildings and improvements	21,531,107	3,113,090	-	24,644,197
Vehicles	16,693,709	1,966,823	(1,324,522)	17,336,010
Furniture, fixtures, and equipment	19,850,691	1,282,081	(12,573)	21,120,199
Infrastructure assets	103,113,571	5,363,695	-	108,477,266
Total accumulated depreciation	<u>161,189,078</u>	<u>11,725,689</u>	<u>(1,337,095)</u>	<u>171,577,672</u>
Total capital assets being depreciated, net	<u>162,861,589</u>	<u>3,892,528</u>	<u>-</u>	<u>166,754,117</u>
Governmental activities capital assets, net	<u>\$ 183,546,307</u>	<u>\$ 20,435,131</u>	<u>\$ (12,154,224)</u>	<u>\$ 191,827,214</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Airport activities:				
Capital assets not being depreciated:				
Land	\$ 1,319,003	\$ -	\$ -	\$ 1,319,003
Construction in progress	-	553,550	-	553,550
Total capital assets not being depreciated	1,319,003	553,550	-	1,872,553
Capital assets being depreciated:				
Buildings and improvements	98,219,149	552,649	-	98,771,798
Furniture and equipment	1,090,544	903,751	-	1,994,295
Vehicles	868,374	-	-	868,374
Total capital assets being depreciated	100,178,067	1,456,400	-	101,634,467
Less accumulated depreciation for:				
Buildings and improvements	25,704,913	3,301,890	-	29,006,803
Furniture and equipment	821,446	191,910	-	1,013,356
Vehicles	749,209	52,401	-	801,610
Total accumulated depreciation	27,275,568	3,546,201	-	30,821,769
Total capital assets being depreciated, net	72,902,499	(2,089,801)	-	70,812,698
Aviation activities capital assets, net	\$ 74,221,502	\$ (1,536,251)	\$ -	\$ 72,685,251
	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Solid Waste activities:				
Capital assets not being depreciated:				
Land	\$ 72,165	\$ -	\$ -	\$ 72,165
Total capital assets not being depreciated	72,165	-	-	72,165
Capital assets being depreciated:				
Buildings and improvements	11,741,288	251,425	-	11,992,713
Furniture and equipment	3,953,869	7,699	-	3,961,568
Vehicles	9,198,490	964,893	(245,545)	9,917,838
Total capital assets being depreciated	24,893,647	1,224,017	(245,545)	25,872,119
Less accumulated depreciation for:				
Buildings and improvements	2,784,209	418,525	-	3,202,734
Furniture and equipment	3,631,179	164,290	-	3,795,469
Vehicles	7,208,916	854,728	(245,545)	7,818,099
Total accumulated depreciation	13,624,304	1,437,543	(245,545)	14,816,302
Total capital assets being depreciated, net	11,269,343	(213,526)	-	11,055,817
Solid waste activities capital assets, net	\$ 11,341,508	\$ (213,526)	\$ -	\$ 11,127,982

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Water and Sewer activities:				
Capital assets not being depreciated:				
Land	\$ 243,332	\$ -	\$ -	\$ 243,332
Construction in progress	4,612,511	4,896,502	(7,253,450)	2,255,563
Total capital assets not being depreciated	4,855,843	4,896,502	(7,253,450)	2,498,895
Capital assets being depreciated:				
Buildings and improvements	93,034,109	658,007	-	93,692,116
Improvements - other	81,661,352	8,580,451	-	90,241,803
Furniture and equipment	4,122,208	177,647	-	4,299,855
Vehicles	3,208,402	463,795	(108,617)	3,563,580
Total capital assets being depreciated	182,026,071	9,879,900	(108,617)	191,797,354
Less accumulated depreciation for:				
Buildings and improvements	26,536,272	1,892,142	-	28,428,414
Improvements - other	10,864,408	2,225,053	-	13,089,461
Furniture and equipment	3,692,841	197,970	-	3,890,811
Vehicles	2,680,484	190,592	(108,617)	2,762,459
Total accumulated depreciation	43,774,005	4,505,757	(108,617)	48,171,145
Total capital assets being depreciated, net	138,252,066	5,374,143	-	143,626,209
Water and Sewer activities capital assets, net	\$ 143,107,909	\$ 10,270,645	\$ (7,253,450)	\$ 146,125,104
	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Drainage Utility activities:				
Capital assets being depreciated:				
Improvements - other	\$ 4,506,765	\$ 1,247,611	\$ -	\$ 5,754,376
Furniture and equipment	994,317	22,200	-	1,016,517
Vehicles	602,021	436,930	-	1,038,951
Total capital assets being depreciated	6,103,103	1,706,741	-	7,809,844
Less accumulated depreciation for:				
Improvements - other	650,581	229,435	-	880,016
Furniture and equipment	773,458	77,562	-	851,020
Vehicles	286,531	135,620	-	422,151
Total accumulated depreciation	1,710,570	442,617	-	2,153,187
Total capital assets being depreciated, net	4,392,533	1,264,124	-	5,656,657
Drainage Utility activities capital assets, net	\$ 4,392,533	\$ 1,264,124	\$ -	\$ 5,656,657

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Total Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,634,500	\$ -	\$ -	\$ 1,634,500
Construction in progress	4,612,511	5,450,052	(7,253,450)	2,809,113
Total capital assets not being depreciated	<u>6,247,011</u>	<u>5,450,052</u>	<u>(7,253,450)</u>	<u>4,443,613</u>
Capital assets being depreciated:				
Buildings and improvements	202,994,546	1,462,081	-	204,456,627
Improvements - other	86,168,117	9,828,062	-	95,996,179
Furniture and equipment	10,160,938	1,111,297	-	11,272,235
Vehicles	13,877,287	1,865,618	(354,162)	15,388,743
Total capital assets being depreciated	<u>313,200,888</u>	<u>14,267,058</u>	<u>(354,162)</u>	<u>327,113,784</u>
Less accumulated depreciation for:				
Buildings and improvements	55,025,394	5,612,557	-	60,637,951
Improvements - other	11,514,989	2,454,488	-	13,969,477
Furniture and equipment	8,918,924	631,732	-	9,550,656
Vehicles	10,925,140	1,233,341	(354,162)	11,804,319
Total accumulated depreciation	<u>86,384,447</u>	<u>9,932,118</u>	<u>(354,162)</u>	<u>95,962,403</u>
Total capital assets being depreciated, net	<u>226,816,441</u>	<u>4,334,940</u>	<u>-</u>	<u>231,151,381</u>
Business-type activities capital assets, net	<u>\$ 233,063,452</u>	<u>\$ 9,784,992</u>	<u>\$ (7,253,450)</u>	<u>\$ 235,594,994</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 550,468
Police	2,000,864
Fire	1,235,249
Public works	5,856,602
Community services	934,947
Parks and recreation	794,735
Library	228,957
Golf	123,867
Total governmental activities	<u>\$ 11,725,689</u>
Business-type activities:	
Airport	\$ 3,546,201
Solid waste	1,437,543
Water and sewer	4,505,757
Drainage utility	442,617
Total business-type activities	<u>\$ 9,932,118</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Construction Commitments

The City had active Water and Sewer, Drainage Utility, Aviation, and Governmental construction projects as of September 30, 2012. At year-end the City's commitments with contractors were as follows:

	Contract Amount	Spent-to-Date	Remaining Commitment
Water and Sewer	\$ 3,974,266	\$ 639,551	\$ 3,334,715
Drainage Utility	351,884	322,326	29,558
Aviation	7,238,067	1,093,217	6,144,850
Governmental Funds	30,382,651	13,480,069	16,902,582
	<u>\$ 41,946,868</u>	<u>\$ 15,535,163</u>	<u>\$ 26,411,705</u>

Discretely presented component unit

	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Killeen Economic Development Corp. (KEDC)				
Capital assets not being depreciated:				
Land				
KEDC - owned	\$ 280,007	\$ -	\$ -	\$ 280,007
Industrial Park	1,723,082	-	-	1,723,082
Convergys	110,000	-	-	110,000
Enterprise	100,000	-	-	100,000
First National Bank	90,303	-	-	90,303
Total capital assets not being depreciated	<u>2,303,392</u>	<u>-</u>	<u>-</u>	<u>2,303,392</u>
Capital assets being depreciated:				
Buildings				
Convergys	3,109,791	-	-	3,109,791
First National Bank	1,837,080	-	-	1,837,080
Entrance Sign	31,382	-	-	31,382
Total capital assets being depreciated	<u>4,978,253</u>	<u>-</u>	<u>-</u>	<u>4,978,253</u>
Less accumulated depreciation for:				
Buildings	1,875,966	132,570	-	2,008,536
Total accumulated depreciation	<u>1,875,966</u>	<u>132,570</u>	<u>-</u>	<u>2,008,536</u>
Total capital assets being depreciated, net	<u>3,102,287</u>	<u>(132,570)</u>	<u>-</u>	<u>2,969,717</u>
KEDC capital assets, net	<u>\$ 5,405,679</u>	<u>\$ (132,570)</u>	<u>\$ -</u>	<u>\$ 5,273,109</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables represent short term advances primarily to support debt service and operations of funds. A summary of interfund receivables and payables at September 30, 2012 is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 55,366	\$ -
Other Governmental Funds:		
Special Revenue		
CDBG	-	38,391
Home	-	16,975
Debt Service:		
Tax Interest and Sinking 2005	313	-
Total Governmental Funds	55,679	55,366
Enterprise Funds:		
Water & Sewer	-	313
Total Enterprise Funds	-	313
Totals	\$ 55,679	\$ 55,679

Transfers between funds were primarily to support debt service and operations of funds. Transfers during the year ended September 30, 2012 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 8,857,364	\$ -
Other Governmental Funds:		
Special Revenue:		
Hotel Occupancy Tax	-	607,200
Debt Service:		
Certificates of Obligation 2001	-	15,155
Tax Interest and Sinking 2002	-	9,714
Tax Interest and Sinking 2003	367,000	7,390
Tax Interest and Sinking 2005	8	-
Certificates of Obligation 2007	9,714	-
Certificates of Obligation 2009	17	-
Refunding Bond 2010	622,355	-
Refunding Bond 2011	400,390	-
General Obligation & Refunding 2012	619	-
Capital Project:		
2011A Pass Thru Financing 190/2410	-	1,646,585
2012 G.O. Bonds	-	582
Total Other Governmental Funds	1,400,103	2,286,626
Total Governmental Funds	10,257,467	2,286,626
Enterprise:		
Airport	-	760,000
Solid Waste	-	2,181,337
Water & Sewer	-	4,761,667
Drainage Utility	-	267,837
Total Enterprise Funds	-	7,970,841
Totals	\$ 10,257,467	\$ 10,257,467

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

F. LONG-TERM DEBT

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2012 is as follows:

Primary government:

	September 30, 2011	Additions	Deletions	September 30, 2012	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 72,163,200	\$ 10,325,000	\$ (2,825,500)	\$ 79,662,700	\$ 3,442,700
Certificates of obligation	93,250,000	27,635,000	(2,520,000)	118,365,000	1,910,000
Unamortized bond premiums/(discounts)	2,735,003	3,391,957	(130,977)	5,995,983	279,050
Deferred amount on refunding	(922,183)	(1,225,890)	60,030	(2,088,043)	(121,325)
Total bonds payable	167,226,020	40,126,067	(5,416,447)	201,935,640	5,510,425
Compensated absences	7,350,918	3,134,787	(2,960,882)	7,524,823	865,355
Net OPEB Obligation	608,526	478,618	(285,338)	801,806	376,849
Capital lease payable	229,602	-	(229,602)	-	-
Governmental activity long-term debt	<u>\$ 175,415,066</u>	<u>\$ 43,739,472</u>	<u>\$ (8,892,269)</u>	<u>\$ 210,262,269</u>	<u>\$ 6,752,629</u>
Business-Type Activities:					
Revenue bonds	\$ 53,570,000	\$ 7,365,000	\$ (9,990,000)	\$ 50,945,000	\$ 3,765,000
General obligation bonds	1,626,800	6,215,000	(954,500)	6,887,300	672,300
Certificates of obligation	15,710,000	-	(7,140,000)	8,570,000	665,000
Unamortized bond premiums/(discounts)	1,571,499	872,870	(158,449)	2,285,920	188,860
Deferred amount on refunding	(2,128,379)	(1,126,732)	238,439	(3,016,672)	(304,434)
Total bonds payable	70,349,920	13,326,138	(18,004,510)	65,671,548	4,986,726
Compensated absences	681,530	470,239	(434,947)	716,822	43,009
Business-type activity long-term debt	<u>\$ 71,031,450</u>	<u>\$ 13,796,377</u>	<u>\$ (18,439,457)</u>	<u>\$ 66,388,370</u>	<u>\$ 5,029,735</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Long-term debt at September 30, 2012 is comprised of the following:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Governmental Funds						
General Obligation Bonds:						
2004 Refunding	2.00-5.00	10/01/04	08/01/29	\$ 24,325,000	\$ 20,060,000	\$ 4,265,000
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	10,000,000	2,155,000	7,845,000
2007 Various purpose	4.00-4.63	10/01/07	08/01/32	17,665,000	1,410,000	16,255,000
2009 Refunding	1.00-2.00	08/15/09	08/01/13	744,600	606,900	137,700
2009 Various purpose	3.00-4.80	08/15/09	08/01/34	13,175,000	585,000	12,590,000
2010 Refunding HOT	2.00-4.00	05/15/10	08/01/30	8,500,000	780,000	7,720,000
2010 Refunding	2.00-4.00	05/15/10	08/01/30	4,830,000	355,000	4,475,000
2011 Refunding	3.25-5.00	07/01/11	08/01/23	6,875,000	-	6,875,000
2012 Various purpose & refunding	2.00-5.00	09/05/12	08/01/32	19,500,000	-	19,500,000
Total General Obligation Bonds				<u>105,614,600</u>	<u>25,951,900</u>	<u>79,662,700</u>
Tax/Revenue Certificates of Obligation:						
2002 Golf Course	2.70-4.50	12/01/02	08/01/12	2,000,000	2,000,000	-
2003 Various purpose	3.25-5.00	06/15/03	02/01/23	9,000,000	9,000,000	-
2004 Various purpose	2.00-4.75	10/01/04	08/01/29	6,000,000	4,435,000	1,565,000
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	11,500,000	10,310,000	1,190,000
2007 Various purpose	4.00-5.00	10/01/07	08/01/32	24,120,000	2,955,000	21,165,000
2009 Various purpose	2.75-4.35	08/15/09	08/01/29	6,500,000	320,000	6,180,000
2011 Various purpose	2.00-5.00	06/15/11	08/01/36	32,040,000	-	32,040,000
2011 PTF 195/201	2.00-5.00	06/15/11	08/01/34	18,060,000	-	18,060,000
2011A PTF 190/2410	2.00-5.00	11/01/11	08/01/35	31,400,000	-	31,400,000
2012 Various Purpose & Refunding	2.00-3.00	08/22/12	08/01/32	6,765,000	-	6,765,000
Total Tax/Revenue Certificates of Obligation				<u>147,385,000</u>	<u>29,020,000</u>	<u>118,365,000</u>
Total Governmental Funds				<u>\$ 252,999,600</u>	<u>\$ 54,971,900</u>	<u>\$ 198,027,700</u>
Proprietary Funds						
Revenue Bonds:						
2004 Various purpose	2.25-5.00	10/01/04	08/15/24	\$ 20,200,000	\$ 18,040,000	\$ 2,160,000
2005 Refunding	3.25-4.50	09/15/05	08/15/19	16,875,000	6,370,000	10,505,000
2007 Various purpose	4.00-5.00	10/01/07	08/15/27	21,165,000	7,715,000	13,450,000
2010 Refunding	2.00-4.00	05/15/10	08/15/21	6,870,000	540,000	6,330,000
2011 Refunding	3.75-5.00	07/01/11	08/15/22	11,135,000	-	11,135,000
2012 Refunding	2.98	07/12/12	08/15/27	7,365,000	-	7,365,000
Total Revenue Bonds				<u>83,610,000</u>	<u>32,665,000</u>	<u>50,945,000</u>
General Obligation Bonds:						
2009 Refunding	1.00-2.00	08/15/09	08/01/13	3,635,400	2,963,100	672,300
2012 Various Purpose & Refunding	2.00-5.00	08/01/12	08/01/32	6,215,000	-	6,215,000
Total General Obligation Bonds				<u>9,850,400</u>	<u>2,963,100</u>	<u>6,887,300</u>
Tax/Revenue Certificates of Obligation:						
2005 Various purpose	3.25-4.50	09/15/05	08/01/30	9,100,000	8,235,000	865,000
2009 Various purpose	2.75-4.35	08/15/09	08/01/29	2,000,000	180,000	1,820,000
2006 Various purpose	4.00-4.70	05/01/06	08/01/26	8,000,000	2,115,000	5,885,000
Total Tax/Revenue Certificates of Obligation				<u>19,100,000</u>	<u>10,530,000</u>	<u>8,570,000</u>
Total Proprietary Funds				<u>\$ 112,560,400</u>	<u>\$ 46,158,100</u>	<u>\$ 66,402,300</u>

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

General Obligation Bonds

Annual debt service requirements to maturity for General Obligation Bonds are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 3,442,700	\$ 3,309,186	\$ 672,300	\$ 267,773
2014	3,415,000	3,232,724	-	271,613
2015	3,640,000	3,112,024	-	271,613
2016	3,655,000	2,989,424	305,000	271,613
2017	3,790,000	2,857,724	315,000	262,463
2018-2022	21,600,000	11,888,243	1,760,000	1,113,463
2023-2027	22,530,000	6,868,014	2,225,000	648,063
2028-2032	15,775,000	2,215,535	1,610,000	113,613
2033-2034	1,815,000	131,760	-	-
Total	\$ 79,662,700	\$ 36,604,634	\$ 6,887,300	\$ 3,220,214

Revenue Bonds

The City also issues bonds where the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue Bond debt service requirements to maturity are as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2013	\$ 3,765,000	\$ 2,259,114
2014	4,555,000	2,104,302
2015	4,745,000	1,909,663
2016	4,940,000	1,717,999
2017	5,150,000	1,502,460
2018-2022	16,345,000	4,933,351
2023-2027	11,445,000	1,691,638
Total	\$ 50,945,000	\$ 16,118,527

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Tax and Revenue Certificates of Obligation

Annual debt service requirements to maturity for Tax and Revenue Certificates of Obligation are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 1,910,000	\$ 6,161,220	\$ 665,000	\$ 370,615
2014	2,045,000	5,064,921	690,000	344,953
2015	2,610,000	4,986,646	720,000	316,653
2016	3,975,000	4,905,971	440,000	285,453
2017	4,095,000	4,792,471	455,000	267,815
2018-2022	23,075,000	21,435,424	2,605,000	1,032,818
2023-2027	28,700,000	15,990,495	2,700,000	394,273
2028-2032	34,165,000	8,845,900	295,000	19,285
2033-2036	17,790,000	1,707,144	-	-
Total	\$ 118,365,000	\$ 73,890,192	\$ 8,570,000	\$ 3,031,865

All bonded debt requires semiannual payments of interest. The various bond ordinances provide the City with rights of redemption at par, plus accrued interest at specified future dates.

The bond indentures required the establishment and maintenance of interest and sinking funds and reserve funds in varying amounts. In addition, there are restrictions concerning the maintenance of sufficient rates charged for services to users to generate enough funds for debt service requirements, the maintenance of accounting records and insurance, as well as reporting the results of the City's operations to specified major bond holders. The City is in compliance with all significant requirements and restrictions.

During fiscal year ended 2012, the City issued \$25,715,000 in General Obligation and General Obligation Refunding Bonds with an average interest rate of 3.5% to fund the renovation of the Killeen Community Center and to refund and legally defease \$9,175,000 of General Obligation Bonds, Series 2004, \$1,580,000 of Certificates of Obligation Bonds, Series 2004, \$8,950,000 of Certificates of Obligation Bonds, Series 2005, and \$6,505,000 of Solid Waste Certificates of Obligation Bonds, Series 2005. The net proceeds of \$27,983,116 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding portion of the series bonds referred to above. It is bond counsel's opinion that the advance refunding is a legal defeasance.

During fiscal year ended 2012, the City issued \$7,365,000 in Revenue Refunding Bonds with an interest rate of 2.98% to refund and legally defease \$3,670,000 of Water & Sewer Revenue Bonds, Series 2004, and \$3,040,000 of Water & Sewer Revenue Bonds, Series 2007. The net proceeds of \$7,446,202 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

service payments on the refunded debt. It is bond counsel's opinion that the advance refunding is a legal defeasance.

Due to the refundings, the City's debt service requirements are decreased by \$3,646,541 over a period beginning fiscal year 2012-2013 and ending with the fiscal year 2029-2030. These refundings allowed the City of Killeen to obtain an economic gain of \$2,352,622.

The City also issued new debt during the fiscal year. \$6,765,000 in Certificates of Obligation Bonds was issued to be used for public safety equipment and vehicles as well as the upgrading/developing of U.S. Hwy 190. \$31,400,000 of Pass Thru Financing Bonds were issued to fund the U.S. Hwy 190 project. Lastly, \$1,155,000 in General Obligation Bonds were issued to be used in the renovating and equipping of the existing Community Center.

V. OTHER INFORMATION

A. RISK MANAGEMENT

The City has insurable risks in various areas, including property, casualty, automobile, airport, surety bonding, comprehensive liability and workmen's compensation. The City has obtained insurance against risks through commercial carriers for airport liability and surety bonding. There were no related settlements in excess of insurance coverage during the past three fiscal years. All other insurance against risk is through the Texas Municipal League (TML) Intergovernmental Risk Pool, as discussed below. Management believes the amount and types of coverage are adequate to protect the City from losses which could reasonably be expected to occur.

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The City participates in the TML Intergovernmental Risk Pool for various risk areas, wherein member cities pool risks and funds and share in the costs of losses. Claims against the City in each respective are expected to be paid by that public entity risk pool. However, in the event the public entity risk pool became insolvent, or otherwise is unable to pay claims, the City may have to pay the claims.

B. COMMITMENTS AND CONTINGENCIES

The City is committed under various leases for building and office space, data processing, and police equipment. These leases are considered for accounting purposes to be replaced in the ordinary course of business with similar leases. Future aggregate annual commitments are not material to the City's financial statements.

In 2003, the City of Killeen completed the process of moving airline operations from the Killeen Municipal Airport to Ft. Hood's Robert Gray Army Airfield as part of a joint use agreement with the U.S. Army. This is a regional intermodal transportation project that involved the construction of a new terminal building, aircraft parking aprons, east side parallel taxi-way, fuel and maintenance facilities, major access roadways to the terminal site, and vehicle parking facilities. The City currently has an operating lease agreement with the Department of the Army for joint-use of a tract of land containing 345 acres and exclusive use of a tract of land containing approximately 76.571 acres. The lease term is for 50 years, with an option to renew for an additional 50 years if the City is in full compliance with the terms of the lease.

**CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012**

In lieu of paying rent on the lease, the City is required to perform certain services related to the property, such as maintenance, protection, repairs, site restoration and improvements. Currently, no estimate is available for the annual amount of such expenditures related to satisfying the requirements of the lease.

C. EMPLOYEE BENEFITS

EMPLOYEE PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees, except firemen, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%, Transfers	100%, Transfers
Annuity Increase (to retirees)	70% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows in a three year trend format:

Schedule of Net Pension Obligation

	<u>9/30/2012</u>	<u>9/30/2011</u>	<u>9/30/2010</u>
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	4,410,989	4,132,298	4,388,259
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Subtotal	<u>4,410,989</u>	<u>4,132,298</u>	<u>4,388,259</u>
Contributions Made	4,410,989	4,132,298	4,388,259
Increase in NPO	-	-	-
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	16.6 years; closed period	17.7 years; closed period	23 years; closed period
Amortization Period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.5%
Project Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	0%	0%

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>
Actuarial Value of Assets	\$ 110,610,374	\$ 100,826,919	\$ 58,701,014
Actuarial Accrued Liability	\$ 120,815,449	\$ 113,138,919	\$ 77,607,313
Percentage Funded	91.55%	89.12%	75.64%
Unfunded (Over funded) Actuarial Accrued Liability (UAAL)	\$ 10,205,075	\$ 12,312,000	\$ 18,906,299
Annual Covered Payroll	\$ 41,425,056	\$ 38,174,700	\$ 36,579,718
UAAL as a Percentage of Covered Payroll	24.64%	32.25%	51.69%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability of benefits.

SUPPLEMENTAL DEATH BENEFITS FUND

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB; additionally, retirees are responsible for 100% of premiums paid for the benefit.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

The City of Killeen offers supplemental death to:	<u>Plan Year 2012</u>	<u>Plan Year 2011</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$62,138, \$57,262, and \$54,870, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:
(RETIREE - only portion of the rate)

<u>Plan/Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2010	0.03%	0.03%	100.00%
2011	0.03%	0.03%	100.00%
2012	0.03%	0.03%	100.00%

DEFERRED COMPENSATION FUND

Plan Description

The City offers its employees 2 deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by Nationwide Retirement Solutions and ICMA. In accordance with the requirements of GASB Statement No. 32, "Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" and recent tax law changes, the City has amended its trust agreements which establish that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. Due to the implementation of these changes, the City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustee. Accordingly, the City has not presented the assets and income from the plan in these financial statements. Deferred compensation investments are held by an outside trustee, and plan investments are chosen by the individual participant (employee).

The plan, available to all permanent City employees, permits them to defer until future years up to 100% of annual gross earnings not to exceed \$16,500. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

FIREFIGHTER'S RELIEF AND RETIREMENT SYSTEM

Plan Description

The Board of Trustees of the Killeen Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. It is a legally separate entity from the City. Complete financial statements for the Killeen Firefighter's Relief and Retirement Fund can be obtained by contacting the Fund Administrator at P.O. Box 497, Conroe, TX 77305.

Both paid and volunteer firefighters in the Killeen Fire Department are covered by the Killeen Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the fund at September 30, 2010, the date of the most recent actuarial valuation.

	September 30, 2010
1. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	56
2. Current employees	
a. Fully vested	23
b. Partially vested	31
c. Nonvested	148
3. Total	258

The Killeen Firefighter's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits for both paid and volunteer firefighters. These benefits fully vest after 20 years of credited service. Paid firefighters may retire at the earlier of age 55 with 20 years of service or age 50 with 25 years of service. A partially vested benefit is provided for paid firefighters with at least 10 years of service. Volunteer firefighters may retire at age 55 with 20 years of service. The Plan effective July 1, 2007 provides a monthly benefit for paid firefighters at retirement, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 58.4% of Highest 60-Month Average Salary plus 2.275% of Highest 60-Month Average Salary for each year of service in excess of 20 years. The monthly benefit for volunteer firefighters at retirement is equal to \$155 per month payable in a Joint and Two-Thirds to Spouse form of annuity.

There is no provision for automatic post retirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc post retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

Summary of Significant Accounting Policies and Plan Asset Matters

The Killeen Firefighter's Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting. The fund's fiscal year began October 1, 2011 and ended September 30, 2012. Employee and employer contributions are recognized as revenues in the period in which the salaries are earned. Investment income is recognized as it is earned. All unrealized gains/losses on sales of assets are recognized on the transaction date.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each paid firefighter and by the City and as a dollar amount for volunteer firefighters by the City.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL), and the number of years needed to amortize the plan's UAAL is determined using a level percentage of payroll method. The costs of administering the plan are financed from the fund.

The funding policy of the Killeen Firefighter's Relief and Retirement Fund currently requires contributions equal to 10% of pay by the paid firefighters and 13% of payroll by the City. Contributions by the City of \$102 per year per active volunteer and \$16,010 per year for all active and retired volunteers are also required.

For the fiscal year ending September 30, 2012, the City of Killeen's Annual Pension Cost (APC) was \$1,439,762 for the Killeen Firefighter's Relief and Retirement Fund. Based on the results of the September 30, 2010 actuarial valuation of the Plan effective July 1, 2007, the Board's actuary found that the fund has an adequate contribution arrangement based on the current level of the firefighter and City of Killeen contribution rates as discussed above. The schedules of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements in the required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

The annual required contributions (ARC) by the city for the fiscal year ending September 30, 2012 were based on the results of the September 30, 2010 actuarial valuation and were determined in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 27 parameters. The entry age actuarial cost method was used, with the normal cost calculated as a level percentage of payroll.

The actuarial value of assets was determined based on the market value with assets smoothed with a five-year deferred recognition method, with the actuarial value not more than 120% or less than 80% of the market value of assets. The actuarial assumptions included an investment return assumption of 7.75% per year (net of expenses), projected salary increases of 4% per year as a general salary increase, with annual promotion and longevity increases ranging from 0% to 7%, and no postretirement cost-of-living adjustments. An inflation assumption of 4% per year is included in the investment return and salary increase assumptions. The unfunded actuarial accrued liability (UAAL) is amortized with the excess of the total contribution rate over the normal cost rate. The number of years needed to amortize the UAAL is determined using an open, level percentage of payroll method, assuming that the payroll will increase 4% per year. The number of years needed to amortize the UAAL was determined to be 27 years as of the September 30, 2010 actuarial valuation based on the plan provisions effective July 1, 2007 and reflecting assumed city contributions of 13% of pay for paid firefighters, \$102 per year per active volunteer firefighter, and \$16,010 per year for all active and retired volunteer firefighters. The following is a schedule of the funding progress for the Firefighter's Relief and Retirement fund for the three most recent actuarial valuations that presents multi-year trend information about whether the actuarial value of plan

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. This information is also included in the required supplementary information immediately following the notes.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date		Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll ¹	UAAL as a Percentage of Covered Payroll
9/30/2006	2.3	15,842,065	26,998,706	58.7%	11,156,641	8,245,812	135.3%
9/30/2008	2.4	20,223,436	31,663,825	63.9%	11,440,389	9,534,549	120.0%
9/30/2010	2.4	23,980,822	37,161,946	64.5%	13,181,124	10,564,186	124.8%

¹ The covered payroll is based on estimated annualized salaries for the year following the valuation date.

² Economic and demographic assumptions were revised.

³ Reflects plan benefit provisions effective April 1, 1999 and amended October 1, 1999.

⁴ Reflects plan benefit provisions effective July 1, 2007.

Schedule of Net Pension Obligation

Reporting Year Ended September 30	Annual Pension Cost (APC)	% Funded	Net Pension Obligation
2010	1,368,243	100%	-
2011	1,425,767	100%	-
2012	1,439,762	100%	-

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Effective for fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)" prospectively (no beginning Net OPEB Obligation). A separate, audited GAAP-basis postemployment benefit plan report is not available.

Program Description

In addition to the pension benefits described in Note V. D., as required by state law and defined by City Policy, the City makes available health care benefits to all employees who retire from the City and who are receiving benefits from a City sponsored retirement program (Texas Municipal Retirement System and Firefighter's Relief and Retirement) through a single-employer defined benefit healthcare plan. This healthcare plan provides lifetime insurance, or until age 65 if eligible for Medicare to eligible retirees, their spouses and dependents through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established by management.

Current retirees in the health plan at retirement are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Funding Policy

Current retirees contribute to the health plan 100% of the total blended premium for active and retired participants. Retiree contributions rates for fiscal year 2012 were \$4,768 to \$18,958 per year depending on coverage levels selected.

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2012, is as follows:

Annual required contribution (ARC)	\$ 476,605
Interest on OPEB obligation	27,384
Adjustment to ARC	<u>(25,371)</u>
End of year annual OPEB cost (expense)	478,618
Net estimated employer contributions	<u>(285,338)</u>
Increase in net OPEB obligation	193,280
Net OPEB Obligation, beginning of year	<u>608,526</u>
Net OPEB Obligation, end of year	<u><u>\$ 801,806</u></u>

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Oligation
9/30/2010	427,762	244,806	57.2%	397,501
9/30/2011	464,038	253,013	54.5%	608,526
9/30/2012	478,618	285,338	59.6%	801,806

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2010 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ -	\$ 3,227,494	\$ 3,227,494	0.0%	\$ 44,390,812	7.3%
12/31/2010	-	4,409,664	4,409,664	0.0%	52,374,642	8.4%

The City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$4,409,664 at December 31, 2010. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability as annual covered payroll is 8.4%. The schedule of funding progress presented above is also presented as Required Supplementary Information following the notes to the financial statements and presents multi-year trend information. The actuarial accrued liability of \$4,409,664 includes \$3,263,151 for active employees and \$1,146,513 for retirees.

CITY OF KILLEEN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

Actuarial Valuations

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	OPEB
Actuarial valuation date	December 31, 2010
Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.00% per annum
Health care cost trend rate	Initial rate of 9% declining to an ultimate rate of 4.5% after 9 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012**

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED):**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2009	58,701,014	77,607,313	75.6%	18,906,299	36,579,718	51.7%
12/31/2010 ¹	100,826,919	113,138,919	89.1%	12,312,000	38,174,700	32.3%
12/31/2011 ²	110,610,374	120,815,449	91.6%	10,205,075	41,425,056	24.6%

FIREFIGHTER'S RELIEF AND RETIREMENT FUND (UNAUDITED):**Schedule of Funding Progress****Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll ¹	UAAL as a Percentage of Covered Payroll
9/30/2006 ^{2,3}	15,842,065	26,998,706	58.7%	11,156,641	8,245,812	135.3%
9/30/2008 ^{2,4}	20,223,436	31,663,825	63.9%	11,440,389	9,534,549	120.0%
9/30/2010 ^{2,4}	23,980,822	37,161,946	64.5%	13,181,124	10,564,186	124.8%

¹ The covered payroll is based on estimated annualized salaries for the year following the valuation date.

² Economic and demographic assumptions were revised.

³ Reflects plan benefit provisions effective April 1, 1999 and amended October 1, 1999.

⁴ Reflects plan benefit provisions effective July 1, 2007.

Schedule of Employer Contributions

Reporting Year Ended September 30	Annual Required Contribution (ARC) ¹	Actual Contribution	Percentage of Required Contribution Contributed ²
2010	1,368,243	1,368,243	100%
2011	1,425,767	1,425,767	100%
2012	1,439,762	1,439,762	100%

¹ The annual required contributions (ARC) is equal to the actual city contributions equal to the budgeted contribution rate times the actual covered payroll for paid firefighters plus \$16,010 for volunteer firefighters plus \$102 per active volunteer firefighter.

² The percentage of the ARC contributed should be determine by dividing the actual contribution by the ARC.

(CONTINUED)

**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012**

Notes to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation

Valuation date	September 30, 2012
Actuarial cost method	Entry Age
Amortization method	Level percentage of projected payroll, open
Amortization period	27 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80% / 120% corridor on market

Actuarial assumptions:

- Investment rate of return, net of expenses	7.75% per year
- Inflation	4.00% per year
- Projected salary increases	
- general salary increase	4.00% per year
- promotion and longevity increase	0% to 7% per year
- total increase	4.00% to 11.28% per year
- Payroll growth rate	4.00% per year
- Postretirement cost-of-living adjustments	None

**CITY OF KILLEEN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012**

OTHER POST EMPLOYMENT BENEFITS (UNAUDITED):**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ -	\$ 3,227,494	\$ 3,227,494	0.0%	\$ 44,390,812	7.3%
12/31/2010	-	4,409,664	4,409,664	0.0%	52,374,642	8.4%

Note: GASB 45 requires three years of data in this table; however, the City implemented this standard in 2009, and has had two actuarial studies as required. Additional years will be added to the disclosure as they become available. The most recent actuarial valuation was December 31, 2010.

CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Adjustments	Actual	Budgeted Amounts		Variance -
	GAAP	Budget	Budget	Original	Final	Positive
	Basis	Basis	Basis			(Negative)
REVENUES						
Taxes	\$51,269,833	\$ (70,531)	\$51,199,302	\$50,458,849	\$50,458,849	\$ 740,453
Licenses and permits	1,396,708	-	1,396,708	1,344,500	1,344,500	52,208
Intergovernmental	708,341	-	708,341	991,741	1,070,126	(361,785)
Charges for services	5,486,497	-	5,486,497	5,567,404	5,613,290	(126,793)
Fines	2,390,901	-	2,390,901	2,600,050	2,749,892	(358,991)
Contributions	423,348	-	423,348	464,455	472,756	(49,408)
Miscellaneous	1,037,278	-	1,037,278	933,800	933,800	103,478
Total revenues	<u>62,712,906</u>	<u>(70,531)</u>	<u>62,642,375</u>	<u>62,360,799</u>	<u>62,643,213</u>	<u>(838)</u>
EXPENDITURES						
General government	14,611,791	(4,592)	14,607,199	15,920,301	16,138,559	1,531,360
Public safety	41,123,779	-	41,123,779	41,266,659	41,753,264	629,485
Public works	3,974,912	-	3,974,912	3,955,084	4,126,995	152,083
Community services	7,546,409	-	7,546,409	7,905,651	8,007,091	460,682
Total expenditures	<u>67,256,891</u>	<u>(4,592)</u>	<u>67,252,299</u>	<u>69,047,695</u>	<u>70,025,909</u>	<u>2,773,610</u>
Deficiency of revenues under expenditures	(4,543,985)	(65,939)	(4,609,924)	(6,686,896)	(7,382,696)	2,772,772
OTHER FINANCING SOURCES						
Transfers in	8,857,364	-	8,857,364	6,826,255	6,826,255	2,031,109
Total other financing sources	<u>8,857,364</u>	<u>-</u>	<u>8,857,364</u>	<u>6,826,255</u>	<u>6,826,255</u>	<u>2,031,109</u>
Net change in fund balance	4,313,379	(65,939)	4,247,440	139,359	(556,441)	4,803,881
Fund balance, October 1	<u>19,250,491</u>	<u>236,791</u>	<u>19,487,282</u>	<u>19,487,282</u>	<u>19,487,282</u>	<u>-</u>
Fund balance, September 30	<u>\$23,563,870</u>	<u>\$ 170,852</u>	<u>\$23,734,722</u>	<u>\$19,626,641</u>	<u>\$18,930,841</u>	<u>\$4,803,881</u>

COMBINING STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 3,658,875	\$ 5,656,385	\$ 15,493,516	\$ 24,808,776
Investments	-	-	10,500,000	10,500,000
Receivables (net of allowances for uncollectibles):				
Grants	91,443	-	243,274	334,717
Taxes	-	156,289	-	156,289
Accounts	64,521	-	-	64,521
Accrued interest	-	-	42,808	42,808
Inventories	7,493	-	-	7,493
Restricted assets:				
Cash and cash equivalents	23,869	-	-	23,869
Due from other funds	-	313	-	313
Total assets	<u>\$ 3,846,201</u>	<u>\$ 5,812,987</u>	<u>\$ 26,279,598</u>	<u>\$ 35,938,786</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 397,970	\$ -	\$ 767,773	\$ 1,165,743
Due to other governments	64,843	-	3,741,139	3,805,982
Due to other funds	55,366	-	-	55,366
Accrued salaries payable	15,397	-	-	15,397
Deferred revenue	58,653	156,289	-	214,942
Total liabilities	<u>592,229</u>	<u>156,289</u>	<u>4,508,912</u>	<u>5,257,430</u>
Fund Balances:				
Nonspendable:				
Inventories	7,493	-	-	7,493
Restricted for:				
Debt Service	659,164	5,656,698	-	6,315,862
Capital projects	-	-	21,770,686	21,770,686
Other purposes	2,553,004	-	-	2,553,004
Committed to:				
Killeen Arts and Activities Center	34,311	-	-	34,311
Total fund balances	<u>3,253,972</u>	<u>5,656,698</u>	<u>21,770,686</u>	<u>30,681,356</u>
Total liabilities and fund balances	<u>\$ 3,846,201</u>	<u>\$ 5,812,987</u>	<u>\$ 26,279,598</u>	<u>\$ 35,938,786</u>

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES				
Taxes	\$ 1,926,857	\$ 8,796,998	\$ -	\$ 10,723,855
Intergovernmental	1,038,454	-	320,676	1,359,130
Charges for services	465,714	-	-	465,714
Fines	917,906	-	-	917,906
Contributions	-	-	27,184	27,184
Miscellaneous	489,731	164,451	70,863	725,045
Total revenues	<u>4,838,662</u>	<u>8,961,449</u>	<u>418,723</u>	<u>14,218,834</u>
EXPENDITURES				
Current:				
General government	1,690,615	-	-	1,690,615
Public safety	742,591	-	-	742,591
Public works	-	-	1,104,631	1,104,631
Community services	1,538,313	-	-	1,538,313
Capital outlay	45,579	-	14,054,203	14,099,782
Debt service:				
Principal	-	5,345,500	-	5,345,500
Interest	-	7,571,531	-	7,571,531
Fiscal charges	-	14,245	-	14,245
Costs of issuance	-	119,548	72,916	192,464
Total expenditures	<u>4,017,098</u>	<u>13,050,824</u>	<u>15,231,750</u>	<u>32,299,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>821,564</u>	<u>(4,089,375)</u>	<u>(14,813,027)</u>	<u>(18,080,838)</u>
OTHER FINANCING SOURCES (USES)				
Capitalized interest received on debt	-	1,827,023	-	1,827,023
Issuance of capital-related debt	-	-	7,920,000	7,920,000
Refunding bonds issued	-	18,345,000	-	18,345,000
Premium on issuance of debt	-	2,689,173	123,997	2,813,170
Payment to bond escrow agent	-	(20,930,885)	-	(20,930,885)
Transfers in	-	1,400,103	-	1,400,103
Transfers out	(607,200)	(32,259)	(582)	(640,041)
Total other financing sources (uses)	<u>(607,200)</u>	<u>3,298,155</u>	<u>8,043,415</u>	<u>10,734,370</u>
Net changes in fund balances	214,364	(791,220)	(6,769,612)	(7,346,468)
Fund balances, October 1	3,039,608	6,447,918	28,540,298	38,027,824
Fund balances, September 30	<u>\$3,253,972</u>	<u>\$ 5,656,698</u>	<u>\$21,770,686</u>	<u>\$ 30,681,356</u>

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific resources that are legally restricted to expenditure for particular purposes.

Law Enforcement Grant Fund: To account for the operation of projects utilizing Justice Assistance Grant funds. These projects are for the purpose of reducing crime and improving the public safety.

State Seizure Fund: To account for the revenues and expenditures restricted by state seizure requirements for the Police Department.

Federal Seizure Fund: To account for revenues and expenditures that are restricted by federal seizure requirements for the Police Department.

Emergency Management: To account for revenues and expenditures restricted for the management of emergency situations.

Fire State Seizure Fund: To account for revenues and expenditures that are restricted by state seizure requirements for the Fire Department.

Hotel Occupancy Tax Fund: To account for the levy and utilization of the hotel occupancy tax. State law requires that revenues from this tax be used for advertising and promotion of the City. This fund is also used to account for the revenues and expenditures of the Killeen Civic and Conference Center.

Special Events Center Fund: To account for the funds to be used for the construction and operation of the Special Events Center.

Cablesystem Improvements Fund: To Account for resources contributed to the City, the use of which is restricted to the acquisition of appropriate equipment and other expenditure items for the benefit of the cable franchise system.

Library Memorial Fund: To account for revenues that are restricted for use for the Public Library.

Parks Fund: To account for funds to be used for the development and improvement of City park land.

Community Development Fund: To account for the operations of projects utilizing Community Development Block Grant funds. Such revenues are restricted to expenditures for specified projects authorized by the Department of Housing and Urban Development.

CDBG Home Program Fund: To account for program funds received from the Department of Housing and Urban Development. These programs are restricted to expenditures authorized by the Department of Housing and Urban Development.

Tax Increment Fund: To account for the ad valorem tax revenues collected from the taxable property in the tax increment zone. This fund also accounts for expenditures on projects that take place in the tax increment zone.

Lion's Club Park Fund: To account for resources contributed to the City and received from the Texas Parks and Wildlife Department, restricted to the development of a public park.

Court Technology Fund: To account for technology related expenditures of the Municipal Court from technology fees collected as enacted by the Texas Legislature.

Court Security Fund: To account for Municipal Court security related expenditures from security fees collected as enacted by the Texas Legislature.

Juvenile Case Manager Fund: To account for fees assessed and collected from defendants upon conviction of a fine-only misdemeanor offense. Funds are used to finance the salary and benefits of the Juvenile Case Manager appointed to assist in administering the Municipal Court juvenile docket and supervising the Court's order in juvenile court.

Photo Red Light Enforcement: To account for fees received from the photo red light ticket violation enforcement program and applicable authorized expenditures.

KAAC: To account for revenues and expenditures related to the Killeen Arts & Activity Center.

Grants: To account for various programs and projects utilizing Federal, State and Local grants.

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012**

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management	Fire State Seizure
ASSETS					
Cash and cash equivalents	\$ 115,458	\$ 105,905	\$ 22,179	\$ 37,187	\$ 581
Receivables (net of allowances for uncollectibles):					
Grants	-	-	-	-	-
Accounts	-	-	-	-	-
Inventories	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 115,458</u>	<u>\$ 105,905</u>	<u>\$ 22,179</u>	<u>\$ 37,187</u>	<u>\$ 581</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	64,843	-	-	-	-
Due to other funds	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	47,743	-	-	-	-
Total liabilities	<u>112,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Other purposes	2,872	105,905	22,179	37,187	581
Committed to:					
Killeen Arts and Activities Center	-	-	-	-	-
Total fund balances	<u>2,872</u>	<u>105,905</u>	<u>22,179</u>	<u>37,187</u>	<u>581</u>
Total liabilities and fund balances	<u>\$ 115,458</u>	<u>\$ 105,905</u>	<u>\$ 22,179</u>	<u>\$ 37,187</u>	<u>\$ 581</u>

EXHIBIT C-3

Hotel Occupancy Tax	Special Events Center	Cablesystem Improvements	Library Memorial	Parks	Community Development	CDBG Home Program
\$ 691,967	\$ 89,289	\$ 603,930	\$ 23,942	\$ 12,328	\$ -	\$ -
5,240	-	-	-	-	62,835	23,368
1,913	-	-	-	-	-	-
7,493	-	-	-	-	-	-
23,869	-	-	-	-	-	-
<u>\$ 730,482</u>	<u>\$ 89,289</u>	<u>\$ 603,930</u>	<u>\$ 23,942</u>	<u>\$ 12,328</u>	<u>\$ 62,835</u>	<u>\$ 23,368</u>
\$ 51,821	\$ 17,380	\$ -	\$ -	\$ -	\$ 16,548	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	38,391	16,975
12,004	-	2,064	-	-	1,329	-
-	-	-	-	-	-	-
<u>63,825</u>	<u>17,380</u>	<u>2,064</u>	<u>-</u>	<u>-</u>	<u>56,268</u>	<u>16,975</u>
7,493	-	-	-	-	-	-
659,164	-	-	-	-	-	-
-	71,909	601,866	23,942	12,328	6,567	6,393
-	-	-	-	-	-	-
<u>666,657</u>	<u>71,909</u>	<u>601,866</u>	<u>23,942</u>	<u>12,328</u>	<u>6,567</u>	<u>6,393</u>
<u>\$ 730,482</u>	<u>\$ 89,289</u>	<u>\$ 603,930</u>	<u>\$ 23,942</u>	<u>\$ 12,328</u>	<u>\$ 62,835</u>	<u>\$ 23,368</u>

(CONTINUED)

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
SEPTEMBER 30, 2012**

	<u>Tax Increment</u>	<u>Lion's Club Park</u>	<u>Court Technology</u>	<u>Court Security</u>	<u>Juvenile Case Manager</u>
ASSETS					
Cash and cash equivalents	\$ 51,829	\$ 1,359	\$ 541,922	\$ 155,258	\$ 317,857
Receivables (net of allowances for uncollectibles):					
Grants	-	-	-	-	-
Accounts	-	-	-	2,357	8,553
Inventories	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 51,829</u>	<u>\$ 1,359</u>	<u>\$ 541,922</u>	<u>\$ 157,615</u>	<u>\$ 326,410</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	-	-	-	2,357	8,553
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,357</u>	<u>8,553</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Other purposes	51,829	1,359	541,922	155,258	317,857
Committed to:					
Killeen Arts and Activities Center	-	-	-	-	-
Total fund balances	<u>51,829</u>	<u>1,359</u>	<u>541,922</u>	<u>155,258</u>	<u>317,857</u>
Total liabilities and fund balances	<u>\$ 51,829</u>	<u>\$ 1,359</u>	<u>\$ 541,922</u>	<u>\$ 157,615</u>	<u>\$ 326,410</u>

EXHIBIT C-3 (CONT'D)

Photo Red Light Enforcement	KAAC	Grants	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 839,587	\$ 48,297	\$ -	\$ 3,658,875
-	-	-	91,443
51,698	-	-	64,521
-	-	-	7,493
-	-	-	23,869
<u>\$ 891,285</u>	<u>\$ 48,297</u>	<u>\$ -</u>	<u>\$ 3,846,201</u>
\$ 298,235	\$ 13,986	\$ -	\$ 397,970
-	-	-	64,843
-	-	-	55,366
-	-	-	15,397
-	-	-	58,653
<u>298,235</u>	<u>13,986</u>	<u>-</u>	<u>592,229</u>
-	-	-	7,493
-	-	-	659,164
593,050	-	-	2,553,004
-	34,311	-	34,311
<u>593,050</u>	<u>34,311</u>	<u>-</u>	<u>3,253,972</u>
<u>\$ 891,285</u>	<u>\$ 48,297</u>	<u>\$ -</u>	<u>\$ 3,846,201</u>

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Law Enforcement Grant	State Seizure	Federal Seizure	Emergency Management	Fire State Seizure
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	41,740	65,136	3,532	5,000	581
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Miscellaneous	-	31	14	46	-
Total revenues	<u>41,740</u>	<u>65,167</u>	<u>3,546</u>	<u>5,046</u>	<u>581</u>
EXPENDITURES					
Current:					
General government	-	-	-	37,722	-
Public safety	43,740	47	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>43,740</u>	<u>47</u>	<u>-</u>	<u>37,722</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,000)</u>	<u>65,120</u>	<u>3,546</u>	<u>(32,676)</u>	<u>581</u>
OTHER FINANCING USES					
Transfers out	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(2,000)	65,120	3,546	(32,676)	581
Fund balances, October 1	<u>4,872</u>	<u>40,785</u>	<u>18,633</u>	<u>69,863</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,872</u>	<u>\$ 105,905</u>	<u>\$ 22,179</u>	<u>\$ 37,187</u>	<u>\$ 581</u>

EXHIBIT C-4

<u>Hotel Occupancy Tax</u>	<u>Special Events Center</u>	<u>Cablesystem Improvements</u>	<u>Library Memorial</u>	<u>Parks</u>	<u>Community Development</u>	<u>CDBG Home Program</u>
\$ 1,652,409	\$ -	\$ 245,108	\$ -	\$ -	\$ -	\$ -
18,275	-	-	-	-	625,803	265,191
463,604	-	-	-	-	-	-
-	-	-	-	-	-	-
221,115	150	521	9,412	-	30,965	40,723
<u>2,355,403</u>	<u>150</u>	<u>245,629</u>	<u>9,412</u>	<u>-</u>	<u>656,768</u>	<u>305,914</u>
1,582,371	-	-	-	-	-	-
-	-	-	-	-	-	-
213,883	-	161,762	12,455	-	655,321	313,107
14,001	-	4,486	2,896	-	-	-
<u>1,810,255</u>	<u>-</u>	<u>166,248</u>	<u>15,351</u>	<u>-</u>	<u>655,321</u>	<u>313,107</u>
<u>545,148</u>	<u>150</u>	<u>79,381</u>	<u>(5,939)</u>	<u>-</u>	<u>1,447</u>	<u>(7,193)</u>
<u>(607,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(607,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(62,052)	150	79,381	(5,939)	-	1,447	(7,193)
<u>728,709</u>	<u>71,759</u>	<u>522,485</u>	<u>29,881</u>	<u>12,328</u>	<u>5,120</u>	<u>13,586</u>
<u>\$ 666,657</u>	<u>\$ 71,909</u>	<u>\$ 601,866</u>	<u>\$ 23,942</u>	<u>\$ 12,328</u>	<u>\$ 6,567</u>	<u>\$ 6,393</u>

(CONTINUED)

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Tax Increment	Lion's Club Park	Court Technology	Court Security	Juvenile Case Manager
REVENUES					
Taxes	\$ 29,340	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines	-	-	70,753	53,160	86,627
Miscellaneous	-	-	-	-	-
Total revenues	<u>29,340</u>	<u>-</u>	<u>70,753</u>	<u>53,160</u>	<u>86,627</u>
EXPENDITURES					
Current:					
General government	-	-	-	24,408	46,114
Public safety	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,408</u>	<u>46,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,340</u>	<u>-</u>	<u>70,753</u>	<u>28,752</u>	<u>40,513</u>
OTHER FINANCING USES					
Transfers out	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	29,340	-	70,753	28,752	40,513
Fund balances, October 1	<u>22,489</u>	<u>1,359</u>	<u>471,169</u>	<u>126,506</u>	<u>277,344</u>
Fund balances, September 30	<u>\$ 51,829</u>	<u>\$ 1,359</u>	<u>\$ 541,922</u>	<u>\$ 155,258</u>	<u>\$ 317,857</u>

EXHIBIT C-4 (CONT'D)

Photo Red Light Enforcement	KAAC	Grants	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 1,926,857
-	-	13,196	1,038,454
-	2,110	-	465,714
707,366	-	-	917,906
-	186,754	-	489,731
<u>707,366</u>	<u>188,864</u>	<u>13,196</u>	<u>4,838,662</u>
-	-	-	1,690,615
698,804	-	-	742,591
-	181,785	-	1,538,313
-	11,000	13,196	45,579
<u>698,804</u>	<u>192,785</u>	<u>13,196</u>	<u>4,017,098</u>
<u>8,562</u>	<u>(3,921)</u>	<u>-</u>	<u>821,564</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(607,200)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(607,200)</u>
8,562	(3,921)	-	214,364
<u>584,488</u>	<u>38,232</u>	<u>-</u>	<u>3,039,608</u>
<u>\$ 593,050</u>	<u>\$ 34,311</u>	<u>\$ -</u>	<u>\$ 3,253,972</u>

CITY OF KILLEEN, TEXAS
LAW ENFORCEMENT GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 41,740	\$ 49,360	\$ 49,360	\$ (7,620)
Total revenues	41,740	49,360	49,360	(7,620)
EXPENDITURES				
Current:				
Public safety	43,740	2,000	2,000	(41,740)
Capital outlay	-	47,360	47,360	47,360
Total expenditures	43,740	49,360	49,360	5,620
Net change in fund balance	(2,000)	\$ -	\$ -	\$ (2,000)
Fund balance, October 1	4,872			
Fund balance, September 30	\$ 2,872			

CITY OF KILLEEN, TEXAS
STATE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 65,136	\$ 50,000	\$ 50,000	\$ 15,136
Miscellaneous	31	60	60	(29)
Total revenues	<u>65,167</u>	<u>50,060</u>	<u>50,060</u>	<u>15,107</u>
EXPENDITURES				
Current:				
Public safety	47	-	47	-
Capital outlay	-	50,000	49,953	49,953
Total expenditures	<u>47</u>	<u>50,000</u>	<u>50,000</u>	<u>49,953</u>
Net change in fund balance	65,120	<u>\$ 60</u>	<u>\$ 60</u>	<u>\$ 65,060</u>
Fund balance, October 1	<u>40,785</u>			
Fund balance, September 30	<u>\$ 105,905</u>			

**CITY OF KILLEEN, TEXAS
FEDERAL SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 3,532	\$ 17,639	\$ 17,639	\$ (14,107)
Miscellaneous	14	10	10	4
Total revenues	<u>3,546</u>	<u>17,649</u>	<u>17,649</u>	<u>(14,103)</u>
EXPENDITURES				
Capital outlay	-	20,000	20,000	20,000
Total expenditures	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Net change in fund balance	3,546	<u>\$ (2,351)</u>	<u>\$ (2,351)</u>	<u>\$ 5,897</u>
Fund balance, October 1	<u>18,633</u>			
Fund balance, September 30	<u>\$ 22,179</u>			

CITY OF KILLEEN, TEXAS
EMERGENCY MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental revenue	\$ 5,000	\$ -	\$ -	\$ 5,000
Miscellaneous	\$ 46	\$ -	\$ -	\$ 46
Total revenues	<u>5,046</u>	<u>-</u>	<u>-</u>	<u>5,046</u>
EXPENDITURES				
General government	<u>37,722</u>	<u>-</u>	<u>39,486</u>	<u>1,764</u>
Total expenditures	<u>37,722</u>	<u>-</u>	<u>39,486</u>	<u>1,764</u>
Net change in fund balance	(32,676)	<u>\$ -</u>	<u>\$ (39,486)</u>	<u>\$ 6,810</u>
Fund balance, October 1	<u>69,863</u>			
Fund balance, September 30	<u>\$ 37,187</u>			

**CITY OF KILLEEN, TEXAS
FIRE STATE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 581	\$ -	\$ -	\$ 581
Total revenues	581	-	-	581
EXPENDITURES				
Public Safety	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	581	\$ -	\$ -	\$ 581
Fund balance, October 1	-			
Fund balance, September 30	\$ 581			

CITY OF KILLEEN, TEXAS
HOTEL OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,652,409	\$ 1,725,000	\$ 1,725,000	\$ (72,591)
Intergovernmental	18,275	-	19,631	(1,356)
Charges for services	463,604	492,000	492,000	(28,396)
Miscellaneous	221,115	264,600	264,600	(43,485)
Total revenues	<u>2,355,403</u>	<u>2,481,600</u>	<u>2,501,231</u>	<u>(145,828)</u>
EXPENDITURES				
Current:				
General government	1,582,371	1,845,222	1,846,753	264,382
Community services	213,883	258,640	372,464	158,581
Capital outlay	14,001	5,000	14,001	-
Total expenditures	<u>1,810,255</u>	<u>2,108,862</u>	<u>2,233,218</u>	<u>422,963</u>
Excess of revenues over expenditures	<u>545,148</u>	<u>372,738</u>	<u>268,013</u>	<u>277,135</u>
OTHER FINANCING USES				
Transfers out	(607,200)	(607,200)	(607,200)	-
Total other financing uses	<u>(607,200)</u>	<u>(607,200)</u>	<u>(607,200)</u>	<u>-</u>
Net change in fund balance	(62,052)	<u>\$ (234,462)</u>	<u>\$ (339,187)</u>	<u>\$ 277,135</u>
Fund balance, October 1	<u>728,709</u>			
Fund balance, September 30	<u>\$ 666,657</u>			

CITY OF KILLEEN, TEXAS
SPECIAL EVENTS CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 150	\$ -	\$ -	\$ 150
Total revenues	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
EXPENDITURES				
Current:				
Community services	-	71,725	71,725	71,725
Total expenditures	<u>-</u>	<u>71,725</u>	<u>71,725</u>	<u>71,725</u>
Net change in fund balance	150	<u>\$ (71,725)</u>	<u>\$ (71,725)</u>	<u>\$ 71,875</u>
Fund balance, October 1	<u>71,759</u>			
Fund balance, September 30	<u>\$ 71,909</u>			

CITY OF KILLEEN, TEXAS
CABLESYSTEM IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 245,108	\$ 230,000	\$ 230,000	\$ 15,108
Miscellaneous	521	1,500	1,500	(979)
Total revenues	<u>245,629</u>	<u>231,500</u>	<u>231,500</u>	<u>14,129</u>
EXPENDITURES				
Current:				
Community services	161,762	235,565	239,150	77,388
Capital outlay	4,486	200,000	197,375	192,889
Total expenditures	<u>166,248</u>	<u>435,565</u>	<u>436,525</u>	<u>270,277</u>
Net change in fund balance	79,381	<u>\$ (204,065)</u>	<u>\$ (205,025)</u>	<u>\$ 284,406</u>
Fund balance, October 1	<u>522,485</u>			
Fund balance, September 30	<u>\$ 601,866</u>			

**CITY OF KILLEEN, TEXAS
LIBRARY MEMORIAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 9,412	\$ 6,500	\$ 6,500	\$ 2,912
Total revenues	<u>9,412</u>	<u>6,500</u>	<u>6,500</u>	<u>2,912</u>
EXPENDITURES				
Current:				
Community services	12,455	5,000	12,885	430
Capital outlay	2,896	5,000	5,174	2,278
Total expenditures	<u>15,351</u>	<u>10,000</u>	<u>18,059</u>	<u>2,708</u>
Net change in fund balance	(5,939)	<u>\$ (3,500)</u>	<u>\$ (11,559)</u>	<u>\$ 5,620</u>
Fund balance, October 1	<u>29,881</u>			
Fund balance, September 30	<u><u>\$ 23,942</u></u>			

CITY OF KILLEEN, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 625,803	\$ 866,755	\$ 866,755	\$ (240,952)
Miscellaneous	30,965	3,000	3,000	27,965
Total revenues	<u>656,768</u>	<u>869,755</u>	<u>869,755</u>	<u>(212,987)</u>
EXPENDITURES				
Current:				
Community Services	655,321	957,276	1,138,198	482,877
Total expenditures	<u>655,321</u>	<u>957,276</u>	<u>1,138,198</u>	<u>482,877</u>
Excess of revenues over expenditures	<u>1,447</u>	<u>(87,521)</u>	<u>(268,443)</u>	<u>269,890</u>
OTHER FINANCING SOURCES				
Transfers in	-	87,521	87,521	(87,521)
Total other financing sources	<u>-</u>	<u>87,521</u>	<u>87,521</u>	<u>(87,521)</u>
Net change in fund balance	1,447	<u>\$ -</u>	<u>\$ (180,922)</u>	<u>\$ 182,369</u>
Fund balance, October 1	<u>5,120</u>			
Fund balance, September 30	<u>\$ 6,567</u>			

CITY OF KILLEEN, TEXAS
CDBG HOME PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 265,191	\$ 782,518	\$ 782,518	\$ (517,327)
Miscellaneous	40,723	38,000	38,000	2,723
Total revenues	<u>305,914</u>	<u>820,518</u>	<u>820,518</u>	<u>(514,604)</u>
EXPENDITURES				
Current:				
Community services	<u>313,107</u>	<u>830,545</u>	<u>910,275</u>	<u>597,168</u>
Total expenditures	<u>313,107</u>	<u>830,545</u>	<u>910,275</u>	<u>597,168</u>
Deficiency of revenues under expenditures	<u>(7,193)</u>	<u>(10,027)</u>	<u>(89,757)</u>	<u>82,564</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>10,027</u>	<u>10,027</u>	<u>(10,027)</u>
Total other financing sources	<u>-</u>	<u>10,027</u>	<u>10,027</u>	<u>(10,027)</u>
Net change in fund balance	<u>(7,193)</u>	<u>\$ -</u>	<u>\$ (79,730)</u>	<u>\$ 72,537</u>
Fund balance, October 1	<u>13,586</u>			
Fund balance, September 30	<u>\$ 6,393</u>			

**CITY OF KILLEEN, TEXAS
TAX INCREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 29,340	\$ 18,322	\$ 18,322	\$ 11,018
Total revenues	29,340	18,322	18,322	11,018
EXPENDITURES				
General government	-	42,868	42,868	42,868
Total expenditures	-	42,868	42,868	42,868
Net change in fund balance	29,340	\$ (24,546)	\$ (24,546)	\$ 53,886
Fund balance, October 1	22,489			
Fund balance, September 30	\$ 51,829			

**CITY OF KILLEEN, TEXAS
COURT TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 70,753	\$ 80,000	\$ 80,000	\$ (9,247)
Total revenues	70,753	80,000	80,000	(9,247)
EXPENDITURES				
Capital outlay	-	20,000	26,000	26,000
Total expenditures	-	20,000	26,000	26,000
Net change in fund balance	70,753	\$ 60,000	\$ 54,000	\$ 16,753
Fund balance, October 1	471,169			
Fund balance, September 30	\$ 541,922			

**CITY OF KILLEEN, TEXAS
COURT SECURITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 53,160	\$ 50,000	\$ 50,000	\$ 3,160
Total revenues	53,160	50,000	50,000	3,160
EXPENDITURES				
General government	24,408	31,190	31,190	6,782
Total expenditures	24,408	31,190	31,190	6,782
Net change in fund balance	28,752	\$ 18,810	\$ 18,810	\$ 9,942
Fund balance, October 1	126,506			
Fund balance, September 30	\$ 155,258			

CITY OF KILLEEN, TEXAS
JUVENILE CASE MANAGER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 86,627	\$ 92,000	\$ 92,000	\$ (5,373)
Total revenues	86,627	92,000	92,000	(5,373)
EXPENDITURES				
General government	46,114	47,762	47,762	1,648
Total expenditures	46,114	47,762	47,762	1,648
Net change in fund balance	40,513	\$ 44,238	\$ 44,238	\$ (3,725)
Fund balance, October 1	277,344			
Fund balance, September 30	\$ 317,857			

CITY OF KILLEEN, TEXAS
PHOTO RED LIGHT ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Fines	\$ 707,366	\$ 629,000	\$ 629,000	\$ 78,366
Total revenues	707,366	629,000	629,000	78,366
EXPENDITURES				
Public safety	698,804	382,883	677,102	(21,702)
Total expenditures	698,804	382,883	677,102	(21,702)
Net change in fund balance	8,562	\$ 246,117	\$ (48,102)	\$ 56,664
Fund balance, October 1	584,488			
Fund balance, September 30	\$ 593,050			

CITY OF KILLEEN, TEXAS
KAAC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Charges for services	\$ 2,110	\$ -	\$ -	\$ 2,110
Miscellaneous	186,754	174,497	174,497	12,257
Total revenues	<u>188,864</u>	<u>174,497</u>	<u>174,497</u>	<u>14,367</u>
EXPENDITURES				
Current:				
Community services	181,785	220,534	210,934	29,149
Capital outlay	11,000	-	11,000	-
Total expenditures	<u>192,785</u>	<u>220,534</u>	<u>221,934</u>	<u>29,149</u>
Net change in fund balance	(3,921)	<u>\$ (46,037)</u>	<u>\$ (47,437)</u>	<u>\$ 43,516</u>
Fund balance, October 1	<u>38,232</u>			
Fund balance, September 30	<u>\$ 34,311</u>			

CITY OF KILLEEN, TEXAS
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Intergovernmental	\$ 13,196	\$ 50,000	\$ 50,000	\$ (36,804)
Total revenues	13,196	50,000	50,000	(36,804)
EXPENDITURES				
Capital outlay	13,196	50,000	139,394	126,198
Total expenditures	13,196	50,000	139,394	126,198
Net change in fund balance	-	\$ -	\$ (89,394)	\$ 89,394
Fund balance, October 1	-			
Fund balance, September 30	\$ -			

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DEBT SERVICE FUNDS

The Debt Service Fund is used to account for the accumulation of resources and payment of general, certificate, and contractual obligation bond principal and interest from government resources.

- ❖ Certificates of Obligation 2001
- ❖ Tax Interest and Sinking 2002
- ❖ Tax Interest and Sinking 2003
- ❖ Tax Interest and Sinking 2004
- ❖ General Obligation Interest and Sinking 2004
- ❖ Tax Interest and Sinking 2005
- ❖ Tax Interest and Sinking 2006
- ❖ General Obligation 2007
- ❖ Certificates of Obligation 2007
- ❖ General Obligation 2009
- ❖ Certificates of Obligation 2009
- ❖ Refunding Bond 2009
- ❖ Refunding Bond 2010
- ❖ Certificates of Obligation 2011
- ❖ Refunding Bond 2011
- ❖ Pass Thru Financing 195/201 2011
- ❖ Pass Thru Financing 190/2410 2011A
- ❖ Certificates of Obligation 2012
- ❖ General Obligation & Refunding 2012

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2012**

	Certificates of Obligation 2001	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004	Tax Interest and Sinking 2005
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 120,563	\$ 217,763	\$ 377,610
Receivables (net of allowances for uncollectibles):						
Taxes	-	-	-	12,173	38,967	14,481
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,736</u>	<u>\$ 256,730</u>	<u>\$ 392,091</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue	\$ -	\$ -	\$ -	\$ 12,173	\$ 38,967	\$ 14,481
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,173</u>	<u>38,967</u>	<u>14,481</u>
Fund balances:						
Restricted for:						
Debt service	-	-	-	120,563	217,763	377,610
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,563</u>	<u>217,763</u>	<u>377,610</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,736</u>	<u>\$ 256,730</u>	<u>\$ 392,091</u>

EXHIBIT C-23

Tax Interest and Sinking 2006	General Obligation 2007	Certificates of Obligation 2007	General Obligation 2009	Certificates of Obligation 2009	Refunding Bond 2009	Refunding Bond 2010
\$ 217,891	\$ 223,201	\$ 309,663	\$ 153,062	\$ 124,670	\$ 438,093	\$ 207,927
17,676	17,279	27,219	10,674	3,677	2,594	3,696
-	-	-	-	-	313	-
<u>\$ 235,567</u>	<u>\$ 240,480</u>	<u>\$ 336,882</u>	<u>\$ 163,736</u>	<u>\$ 128,347</u>	<u>\$ 441,000</u>	<u>\$ 211,623</u>
<u>\$ 17,676</u>	<u>\$ 17,279</u>	<u>\$ 27,219</u>	<u>\$ 10,674</u>	<u>\$ 3,677</u>	<u>\$ 2,594</u>	<u>\$ 3,696</u>
<u>17,676</u>	<u>17,279</u>	<u>27,219</u>	<u>10,674</u>	<u>3,677</u>	<u>2,594</u>	<u>3,696</u>
217,891	223,201	309,663	153,062	124,670	438,406	207,927
<u>217,891</u>	<u>223,201</u>	<u>309,663</u>	<u>153,062</u>	<u>124,670</u>	<u>438,406</u>	<u>207,927</u>
<u>\$ 235,567</u>	<u>\$ 240,480</u>	<u>\$ 336,882</u>	<u>\$ 163,736</u>	<u>\$ 128,347</u>	<u>\$ 441,000</u>	<u>\$ 211,623</u>

(CONTINUED)

	Certificates of Obligation 2011	Refunding Bond 2011	Pass Thru Financing 195/201 2011	Pass Thru Financing 190/2410 2011A	Certificates of Obligation 2012
ASSETS					
Cash and cash equivalents	\$ 651,439	\$ 162,010	\$ 498,066	\$ 1,889,821	\$ 11,294
Receivables (net of allowances for uncollectibles):					
Taxes	7,853	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 659,292</u>	<u>\$ 162,010</u>	<u>\$ 498,066</u>	<u>\$ 1,889,821</u>	<u>\$ 11,294</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenue	\$ 7,853	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>7,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted for:					
Debt service	651,439	162,010	498,066	1,889,821	11,294
Total fund balances	<u>651,439</u>	<u>162,010</u>	<u>498,066</u>	<u>1,889,821</u>	<u>11,294</u>
Total liabilities and fund balances	<u>\$ 659,292</u>	<u>\$ 162,010</u>	<u>\$ 498,066</u>	<u>\$ 1,889,821</u>	<u>\$ 11,294</u>

EXHIBIT C-23 (CONT'D)

General Obligation & Refunding 2012	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 53,312	\$ 5,656,385
-	156,289
-	313
<u>\$ 53,312</u>	<u>\$ 5,812,987</u>

<u>\$ -</u>	<u>\$ 156,289</u>
<u>-</u>	<u>156,289</u>

<u>53,312</u>	<u>5,656,698</u>
<u>53,312</u>	<u>5,656,698</u>

<u>\$ 53,312</u>	<u>\$ 5,812,987</u>
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CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Certificates of Obligation 2001	Tax Interest and Sinking 2002	Tax Interest and Sinking 2003	Tax Interest and Sinking 2004	General Obligation Interest and Sinking 2004	Tax Interest and Sinking 2005
REVENUES						
Taxes	\$ 2,920	\$ 216,887	\$ 2,360	\$ 629,297	\$ 1,142,402	\$ 839,713
Miscellaneous	5	211	44	564	928	772
Total revenues	<u>2,925</u>	<u>217,098</u>	<u>2,404</u>	<u>629,861</u>	<u>1,143,330</u>	<u>840,485</u>
EXPENDITURES						
Debt service:						
Principal	-	255,000	485,000	480,000	535,000	370,000
Interest	-	9,563	12,125	154,773	625,513	464,174
Fiscal charges	-	300	1,685	-	1,560	1,470
Costs of issuance	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>264,863</u>	<u>498,810</u>	<u>634,773</u>	<u>1,162,073</u>	<u>835,644</u>
Excess (deficiency) of revenues over (under) expenditures	2,925	(47,765)	(496,406)	(4,912)	(18,743)	4,841
OTHER FINANCING SOURCES (USES)						
Capitalized interest received on debt	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-
Refund to bond escrow agent	-	-	-	-	-	-
Transfers in	-	-	367,000	-	-	8
Transfers out	(15,155)	(9,714)	(7,390)	-	-	-
Total other financing sources (uses)	<u>(15,155)</u>	<u>(9,714)</u>	<u>359,610</u>	<u>-</u>	<u>-</u>	<u>8</u>
Net changes in fund balances	(12,230)	(57,479)	(136,796)	(4,912)	(18,743)	4,849
Fund balances, October 1	<u>12,230</u>	<u>57,479</u>	<u>136,796</u>	<u>125,475</u>	<u>236,506</u>	<u>372,761</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,563</u>	<u>\$ 217,763</u>	<u>\$ 377,610</u>

EXHIBIT C-24

Tax Interest and Sinking 2006	General Obligation 2007	Certificates of Obligation 2007	General Obligation 2009	Certificates of Obligation 2009	Refunding Bond 2009	Refunding Bond 2010
\$ 1,225,133	\$ 1,160,837	\$ 1,729,742	\$ 846,547	\$ 403,471	\$ 185,930	\$ 395,303
1,044	894	1,361	645	374	644	376
<u>1,226,177</u>	<u>1,161,731</u>	<u>1,731,103</u>	<u>847,192</u>	<u>403,845</u>	<u>186,574</u>	<u>395,679</u>
835,000	420,000	770,000	300,000	160,000	195,500	540,000
383,091	727,676	983,254	547,863	237,512	5,287	475,950
700	1,560	300	1,460	200	200	2,810
-	-	-	-	-	-	-
<u>1,218,791</u>	<u>1,149,236</u>	<u>1,753,554</u>	<u>849,323</u>	<u>397,712</u>	<u>200,987</u>	<u>1,018,760</u>
7,386	12,495	(22,451)	(2,131)	6,133	(14,413)	(623,081)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	9,714	-	17	-	622,355
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>9,714</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>622,355</u>
7,386	12,495	(12,737)	(2,131)	6,150	(14,413)	(726)
210,505	210,706	322,400	155,193	118,520	452,819	208,653
<u>\$ 217,891</u>	<u>\$ 223,201</u>	<u>\$ 309,663</u>	<u>\$ 153,062</u>	<u>\$ 124,670</u>	<u>\$ 438,406</u>	<u>\$ 207,927</u>

(CONTINUED)

	Certificates of Obligation 2011	Refunding Bond 2011	Pass Thru Financing 195/201 2011	Pass Thru Financing 190/2410 2011A	Certificates of Obligation 2012
REVENUES					
Taxes	\$ 16,456	\$ -	\$ -	\$ -	\$ -
Miscellaneous	4,117	3,813	5,114	63,298	18,059
Total revenues	<u>20,573</u>	<u>3,813</u>	<u>5,114</u>	<u>63,298</u>	<u>18,059</u>
EXPENDITURES					
Debt service:					
Principal	-	-	-	-	-
Interest	1,710,190	262,979	971,581	-	-
Fiscal charges	500	500	500	500	-
Costs of issuance	-	-	-	-	6,765
Total expenditures	<u>1,710,690</u>	<u>263,479</u>	<u>972,081</u>	<u>500</u>	<u>6,765</u>
Excess (deficiency) of revenues over (under) expenditures	(1,690,117)	(259,666)	(966,967)	62,798	11,294
OTHER FINANCING SOURCES (USES)					
Capitalized interest received on debt	-	-	-	1,827,023	-
Refunding bonds issued	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-
Transfers in	-	400,390	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>400,390</u>	<u>-</u>	<u>1,827,023</u>	<u>-</u>
Net changes in fund balances	(1,690,117)	140,724	(966,967)	1,889,821	11,294
Fund balances, October 1	<u>2,341,556</u>	<u>21,286</u>	<u>1,465,033</u>	<u>-</u>	<u>-</u>
Fund balances, September 30	<u>\$ 651,439</u>	<u>\$ 162,010</u>	<u>\$ 498,066</u>	<u>\$ 1,889,821</u>	<u>\$ 11,294</u>

EXHIBIT C-24 (CONT'D)

General Obligation & Refunding 2012	Total Nonmajor Debt Service Funds (See Exhibit C-2)
\$ -	\$ 8,796,998
62,188	164,451
<u>62,188</u>	<u>8,961,449</u>
-	5,345,500
-	7,571,531
-	14,245
112,783	119,548
<u>112,783</u>	<u>13,050,824</u>
(50,595)	(4,089,375)
-	1,827,023
18,345,000	18,345,000
2,689,173	2,689,173
(20,930,885)	(20,930,885)
619	1,400,103
-	(32,259)
<u>103,907</u>	<u>3,298,155</u>
53,312	(791,220)
-	6,447,918
<u>\$ 53,312</u>	<u>\$ 5,656,698</u>

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION 2001 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 2,920	\$ -	\$ -	\$ 2,920
Miscellaneous	5	-	-	5
Total revenues	<u>2,925</u>	<u>-</u>	<u>-</u>	<u>2,925</u>
OTHER FINANCING USES				
Transfers out	<u>(15,155)</u>	<u>-</u>	<u>-</u>	<u>(15,155)</u>
Total other financing sources	<u>(15,155)</u>	<u>-</u>	<u>-</u>	<u>(15,155)</u>
Net change in fund balance	(12,230)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,230)</u>
Fund balance, October 1	<u>12,230</u>			
Fund balance, September 30	<u>\$ -</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2002 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 216,887	\$ 215,000	\$ 215,000	\$ 1,887
Miscellaneous	211	300	300	(89)
Total revenues	<u>217,098</u>	<u>215,300</u>	<u>215,300</u>	<u>1,798</u>
EXPENDITURES				
Debt service:				
Principal	255,000	255,000	255,000	-
Interest	9,563	9,563	9,563	-
Fiscal charges	300	3,730	3,730	3,430
Total expenditures	<u>264,863</u>	<u>268,293</u>	<u>268,293</u>	<u>3,430</u>
Deficiency of revenues under expenditures	(47,765)	(52,993)	(52,993)	5,228
OTHER FINANCING USES				
Transfers out	(9,714)	-	-	(9,714)
Total other financing uses	<u>(9,714)</u>	<u>-</u>	<u>-</u>	<u>(9,714)</u>
Net change in fund balance	(57,479)	<u>\$ (52,993)</u>	<u>\$ (52,993)</u>	<u>\$ (4,486)</u>
Fund balance, October 1	<u>57,479</u>			
Fund balance, September 30	<u>\$ -</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2003 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 2,360	\$ -	\$ -	\$ 2,360
Miscellaneous	44	300	300	(256)
Total revenues	<u>2,404</u>	<u>300</u>	<u>300</u>	<u>2,104</u>
EXPENDITURES				
Debt service:				
Principal	485,000	485,000	485,000	-
Interest	12,125	12,125	12,125	-
Fiscal charges	1,685	4,011	4,011	2,326
Total expenditures	<u>498,810</u>	<u>501,136</u>	<u>501,136</u>	<u>2,326</u>
Deficiency of revenues under expenditures	(496,406)	(500,836)	(500,836)	4,430
OTHER FINANCING SOURCES (USES)				
Transfers in	367,000	367,000	367,000	-
Transfers out	(7,390)	-	-	(7,390)
Total other financing sources (uses)	<u>359,610</u>	<u>367,000</u>	<u>367,000</u>	<u>(7,390)</u>
Net change in fund balance	(136,796)	<u>\$ (133,836)</u>	<u>\$ (133,836)</u>	<u>\$ (2,960)</u>
Fund balance, October 1	<u>136,796</u>			
Fund balance, September 30	<u>\$ -</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2004 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 629,297	\$ 625,000	\$ 625,000	\$ 4,297
Miscellaneous	564	700	700	(136)
Total revenues	<u>629,861</u>	<u>625,700</u>	<u>625,700</u>	<u>4,161</u>
EXPENDITURES				
Debt service:				
Principal	480,000	480,000	480,000	-
Interest	154,773	154,773	154,773	-
Fiscal charges	-	4,000	4,000	4,000
Total expenditures	<u>634,773</u>	<u>638,773</u>	<u>638,773</u>	<u>4,000</u>
Net change in fund balance	(4,912)	<u>\$ (13,073)</u>	<u>\$ (13,073)</u>	<u>\$ 8,161</u>
Fund balance, October 1	<u>125,475</u>			
Fund balance, September 30	<u>\$ 120,563</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION INTEREST & SINKING SERIES 2004 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,142,402	\$ 1,130,000	\$ 1,130,000	\$ 12,402
Miscellaneous	928	1,200	1,200	(272)
Total revenues	<u>1,143,330</u>	<u>1,131,200</u>	<u>1,131,200</u>	<u>12,130</u>
EXPENDITURES				
Debt service:				
Principal	535,000	535,000	535,000	-
Interest	625,513	625,513	625,513	-
Fiscal charges	1,560	4,000	4,000	2,440
Total expenditures	<u>1,162,073</u>	<u>1,164,513</u>	<u>1,164,513</u>	<u>2,440</u>
Net change in fund balance	(18,743)	<u>\$ (33,313)</u>	<u>\$ (33,313)</u>	<u>\$ 14,570</u>
Fund balance, October 1	<u>236,506</u>			
Fund balance, September 30	<u>\$ 217,763</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2005 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 839,713	\$ 835,000	\$ 835,000	\$ 4,713
Miscellaneous	772	900	900	(128)
Total revenues	<u>840,485</u>	<u>835,900</u>	<u>835,900</u>	<u>4,585</u>
EXPENDITURES				
Debt service:				
Principal	370,000	635,000	635,000	265,000
Interest	464,174	801,411	801,411	337,237
Fiscal charges	1,470	4,000	4,000	2,530
Total expenditures	<u>835,644</u>	<u>1,440,411</u>	<u>1,440,411</u>	<u>604,767</u>
Excess (deficiency) of revenues over (under) expenditures	4,841	(604,511)	(604,511)	609,352
OTHER FINANCING SOURCES				
Transfers in	8	602,244	602,244	(602,236)
Total other financing sources	<u>8</u>	<u>602,244</u>	<u>602,244</u>	<u>(602,236)</u>
Net change in fund balance	4,849	<u>\$ (2,267)</u>	<u>\$ (2,267)</u>	<u>\$ 7,116</u>
Fund balance, October 1	<u>372,761</u>			
Fund balance, September 30	<u>\$ 377,610</u>			

CITY OF KILLEEN, TEXAS
TAX INTEREST & SINKING SERIES 2006 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,225,133	\$ 1,220,000	\$ 1,220,000	\$ 5,133
Miscellaneous	1,044	1,200	1,200	(156)
Total revenues	<u>1,226,177</u>	<u>1,221,200</u>	<u>1,221,200</u>	<u>4,977</u>
EXPENDITURES				
Debt service:				
Principal	835,000	835,000	835,000	-
Interest	383,091	383,092	383,092	1
Fiscal charges	700	4,000	4,000	3,300
Total expenditures	<u>1,218,791</u>	<u>1,222,092</u>	<u>1,222,092</u>	<u>3,301</u>
Net change in fund balance	7,386	<u>\$ (892)</u>	<u>\$ (892)</u>	<u>\$ 8,278</u>
Fund balance, October 1	<u>210,505</u>			
Fund balance, September 30	<u>\$ 217,891</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION SERIES 2007 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,160,837	\$ 1,155,000	\$ 1,155,000	\$ 5,837
Miscellaneous	894	1,100	1,100	(206)
Total revenues	<u>1,161,731</u>	<u>1,156,100</u>	<u>1,156,100</u>	<u>5,631</u>
EXPENDITURES				
Debt service:				
Principal	420,000	420,000	420,000	-
Interest	727,676	727,677	727,677	1
Fiscal charges	1,560	4,000	4,000	2,440
Total expenditures	<u>1,149,236</u>	<u>1,151,677</u>	<u>1,151,677</u>	<u>2,441</u>
Net change in fund balance	12,495	<u>\$ 4,423</u>	<u>\$ 4,423</u>	<u>\$ 8,072</u>
Fund balance, October 1	<u>210,706</u>			
Fund balance, September 30	<u>\$ 223,201</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2007 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 1,729,742	\$ 1,720,000	\$ 1,720,000	\$ 9,742
Miscellaneous	1,361	1,800	1,800	(439)
Total revenues	<u>1,731,103</u>	<u>1,721,800</u>	<u>1,721,800</u>	<u>9,303</u>
EXPENDITURES				
Debt service:				
Principal	770,000	770,000	770,000	-
Interest	983,254	983,254	983,254	-
Fiscal charges	300	4,000	4,000	3,700
Total expenditures	<u>1,753,554</u>	<u>1,757,254</u>	<u>1,757,254</u>	<u>3,700</u>
Deficiency of revenues under expenditures	(22,451)	(35,454)	(35,454)	13,003
Other Financing Sources:				
Transfers in	9,714	-	-	9,714
Total other financing sources	<u>9,714</u>	<u>-</u>	<u>-</u>	<u>9,714</u>
Net change in fund balance	(12,737)	<u>\$ (35,454)</u>	<u>\$ (35,454)</u>	<u>\$ 22,717</u>
Fund balance, October 1	<u>322,400</u>			
Fund balance, September 30	<u>\$ 309,663</u>			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 846,547	\$ 845,000	\$ 845,000	\$ 1,547
Miscellaneous	645	1,000	1,000	(355)
Total revenues	<u>847,192</u>	<u>846,000</u>	<u>846,000</u>	<u>1,192</u>
EXPENDITURES				
Debt service				
Principal	300,000	300,000	300,000	-
Interest	547,863	547,863	547,863	-
Fiscal charges	1,460	4,000	4,000	2,540
Total expenditures	<u>849,323</u>	<u>851,863</u>	<u>851,863</u>	<u>2,540</u>
Net change in fund balance	(2,131)	<u>\$ (5,863)</u>	<u>\$ (5,863)</u>	<u>\$ 3,732</u>
Fund balance, October 1	<u>155,193</u>			
Fund balance, September 30	<u>\$ 153,062</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 403,471	\$ 405,000	\$ 405,000	\$ (1,529)
Miscellaneous	374	600	600	(226)
Total revenues	<u>403,845</u>	<u>405,600</u>	<u>405,600</u>	<u>(1,755)</u>
EXPENDITURES				
Debt service				
Principal	160,000	230,000	230,000	70,000
Interest	237,512	307,896	307,896	70,384
Fiscal charges	200	4,000	4,000	3,800
Total expenditures	<u>397,712</u>	<u>541,896</u>	<u>541,896</u>	<u>144,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,133</u>	<u>(136,296)</u>	<u>(136,296)</u>	<u>142,429</u>
OTHER FINANCING SOURCES				
Transfers in	17	140,400	140,400	(140,383)
Total other financing sources	<u>17</u>	<u>140,400</u>	<u>140,400</u>	<u>(140,383)</u>
Net change in fund balance	6,150	<u>\$ 4,104</u>	<u>\$ 4,104</u>	<u>\$ 2,046</u>
Fund balance, October 1	<u>118,520</u>			
Fund balance, September 30	<u>\$ 124,670</u>			

CITY OF KILLEEN, TEXAS
REFUNDING BOND SERIES 2009 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 185,930	\$ 185,000	\$ 185,000	\$ 930
Miscellaneous	644	600	600	44
Total revenues	<u>186,574</u>	<u>185,600</u>	<u>185,600</u>	<u>974</u>
EXPENDITURES				
Debt service				
Principal	195,500	1,150,000	1,150,000	954,500
Interest	5,287	31,100	31,100	25,813
Fiscal charges	200	4,000	4,000	3,800
Total expenditures	<u>200,987</u>	<u>1,185,100</u>	<u>1,185,100</u>	<u>984,113</u>
Deficiency of revenues under expenditures	<u>(14,413)</u>	<u>(999,500)</u>	<u>(999,500)</u>	<u>985,087</u>
OTHER FINANCING SOURCES				
Transfers in	-	980,000	980,000	(980,000)
Total other financing sources	<u>-</u>	<u>980,000</u>	<u>980,000</u>	<u>(980,000)</u>
Net change in fund balance	<u>(14,413)</u>	<u>\$ (19,500)</u>	<u>\$ (19,500)</u>	<u>\$ 5,087</u>
Fund balance, October 1	<u>452,819</u>			
Fund balance, September 30	<u>\$ 438,406</u>			

CITY OF KILLEEN, TEXAS
REFUNDING BOND SERIES 2010 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 395,303	\$ 395,000	\$ 395,000	\$ 303
Miscellaneous	376	300	300	76
Total revenues	<u>395,679</u>	<u>395,300</u>	<u>395,300</u>	<u>379</u>
EXPENDITURES				
Debt service				
Principal	540,000	540,000	540,000	-
Interest	475,950	475,950	475,950	-
Fiscal charges	2,810	4,000	4,000	1,190
Total expenditures	<u>1,018,760</u>	<u>1,019,950</u>	<u>1,019,950</u>	<u>1,190</u>
Deficiency of revenues under expenditures	<u>(623,081)</u>	<u>(624,650)</u>	<u>(624,650)</u>	<u>1,569</u>
OTHER FINANCING SOURCES				
Transfers in	<u>622,355</u>	<u>607,200</u>	<u>607,200</u>	<u>15,155</u>
Total other financing sources	<u>622,355</u>	<u>607,200</u>	<u>607,200</u>	<u>15,155</u>
Net change in fund balance	(726)	<u>\$ (17,450)</u>	<u>\$ (17,450)</u>	<u>\$ 16,724</u>
Fund balance, October 1	<u>208,653</u>			
Fund balance, September 30	<u>\$ 207,927</u>			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2011 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Taxes	\$ 16,456	\$ -	\$ -	\$ 16,456
Miscellaneous	4,117	1,800	1,800	2,317
Total revenues	<u>20,573</u>	<u>1,800</u>	<u>1,800</u>	<u>18,773</u>
EXPENDITURES				
Debt service				
Interest	1,710,190	1,710,191	1,710,191	1
Fiscal charges	500	4,000	4,000	3,500
Total expenditures	<u>1,710,690</u>	<u>1,714,191</u>	<u>1,714,191</u>	<u>3,501</u>
Net change in fund balance	(1,690,117)	<u>\$ (1,712,391)</u>	<u>\$ (1,712,391)</u>	<u>\$ 22,274</u>
Fund balance, October 1	<u>2,341,556</u>			
Fund balance, September 30	<u>\$ 651,439</u>			

CITY OF KILLEEN, TEXAS
REFUNDING BOND SERIES 2011 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 3,813	\$ 200	\$ 200	\$ 3,613
Total revenues	3,813	200	200	3,613
EXPENDITURES				
Debt service				
Interest	262,979	262,980	262,980	1
Fiscal charges	500	4,000	4,000	3,500
Total expenditures	263,479	266,980	266,980	3,501
Deficiency of revenues under expenditures	(259,666)	(266,780)	(266,780)	7,114
OTHER FINANCING SOURCES				
Transfers in	400,390	393,000	393,000	7,390
Total other financing sources	400,390	393,000	393,000	7,390
Net change in fund balance	140,724	\$ 126,220	\$ 126,220	\$ 14,504
Fund balance, October 1	21,286			
Fund balance, September 30	\$ 162,010			

CITY OF KILLEEN, TEXAS
PASS THRU FINANCING 195/201 SERIES 2011 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 5,114	\$ 1,500	\$ 1,500	\$ 3,614
Total revenues	<u>5,114</u>	<u>1,500</u>	<u>1,500</u>	<u>3,614</u>
EXPENDITURES				
Debt service				
Interest	971,581	971,581	971,581	-
Fiscal charges	500	4,000	4,000	3,500
Total expenditures	<u>972,081</u>	<u>975,581</u>	<u>975,581</u>	<u>3,500</u>
Net change in fund balance	(966,967)	<u>\$ (974,081)</u>	<u>\$ (974,081)</u>	<u>\$ 7,114</u>
Fund balance, October 1	<u>1,465,033</u>			
Fund balance, September 30	<u>\$ 498,066</u>			

CITY OF KILLEEN, TEXAS
PASS THRU FINANCING 190/2410 SERIES 2011A FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 63,298	\$ -	\$ -	\$ 63,298
Total revenues	63,298	-	-	63,298
EXPENDITURES				
Debt service				
Fiscal charges	500	-	-	(500)
Total expenditures	500	-	-	(500)
Excess of revenues over expenditures	62,798	-	-	62,798
OTHER FINANCING SOURCES				
Capitalized interest received on debt	1,827,023	-	-	(1,827,023)
Total other financing sources	1,827,023	-	-	1,827,023
Net change in fund balance	1,889,821	\$ -	\$ -	\$ 1,889,821
Fund balance, October 1	-			
Fund balance, September 30	\$ 1,889,821			

CITY OF KILLEEN, TEXAS
CERTIFICATES OF OBLIGATION 2012 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 18,059	\$ -	\$ -	\$ 18,059
Total revenues	18,059	-	-	18,059
EXPENDITURES				
Debt service				
Bond issuance costs	6,765	-	-	(6,765)
Total expenditures	6,765	-	-	(6,765)
Net change in fund balance	11,294	-	-	11,294
Fund balance, October 1	-			
Fund balance, September 30	\$ 11,294			

CITY OF KILLEEN, TEXAS
GENERAL OBLIGATION & REFUNDING 2012 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
REVENUES				
Miscellaneous	\$ 62,188	\$ -	\$ -	\$ 62,188
Total revenues	62,188	-	-	62,188
EXPENDITURES				
Debt service				
Bond issuance costs	112,783	-	-	(112,783)
Total expenditures	112,783	-	-	(112,783)
Deficiency of revenues under expenditures	(50,595)	-	-	(50,595)
OTHER FINANCING SOURCES				
Refunding bonds issued	18,345,000			18,345,000
Premium on issuance of debt	2,689,173			2,689,173
Refund to bond escrow agent	(20,930,885)			(20,930,885)
Transfers in	619	-	-	619
Total other financing sources	103,907	-	-	103,907
Net change in fund balance	53,312	\$ -	\$ -	\$ 53,312
Fund balance, October 1	-			
Fund balance, September 30	\$ 53,312			

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by propriety funds and trust funds.

1993 G.O. Bonds: To account for improving streets, constructing public service and animal control facilities, and improving the library building. Financing was provided by the sale of \$ 3,750,000 of general obligation bonds.

1995 G.O. Bonds: To account for constructing and improving streets, and constructing and improving public service buildings. Financing was provided by the sale of \$ 6,745,000 of general obligation bonds.

2000 Limited Tax Note: To account for expenditures of funds to be used for street improvements.

2004 C.O. Bonds: To account for expenditures for the purchase of fire, emergency medical and public works vehicles and equipment.

2004 G.O. Bonds: To account for expenditure of funds for various construction projects financed through bond proceeds of \$15,870,000.

2005 C.O. Bonds: To account for expenditures which include the constructing and installation of a communications tower, constructing and improving streets, purchasing streets heavy equipment, ambulances and other projects financed through bond proceeds.

2006 G.O. Bonds: To account for expenditures for the construction of the Family Recreation Center and Senior Center Complex.

2007 G.O. and C.O. Bonds: To account for expenditures for the construction of various projects. Financing was provided by the sale of \$17,665,000 of general obligation bonds and \$24,120,000 of certificates of obligation bonds.

2009 G.O. Bonds: To account for expenditures of funds to be used for street improvements and parks and recreation building and facility improvements. Financing was provided by the sale of \$13,175,000 of general obligation bonds.

2009 C.O. Bonds: To account for expenditures of funds to be used for street improvements, acquiring and purchasing vehicles and equipment for public works, improving city parks and recreation facilities, acquiring and purchasing information technology, and improving the city landfill. Financing was provided by the sale of \$8,500,000 of certificates of obligations bonds.

2011 Pass Thru Financing 195/201: To account for expenditures of funds to be used for improving roads on the state highway system located in the City, or as a continuation of the project or facility, adjacent to the City.

2011A Pass Thru Financing 190/2410: To account for expenditures of funds to be used for improving roads on the state highway system located in the City, or as a continuation of the project or facility, adjacent to the City. This fund is presented as a major fund; therefore, it is not presented in the following non-major combining statements.

2011 C.O. Bonds: To account for expenditures of funds to be used for street improvements. This fund is presented as a major fund; therefore, it is not presented in the following non-major combining statements.

2012 C.O. Bonds: To account for expenditures of funds to be used for acquiring public safety equipment and vehicles as well as the upgrading/developing of U.S. Hwy 190.

2012 G.O. Bonds: To account for expenditures of funds to be used for renovating and equipping the existing Community Center.

**CITY OF KILLEEN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2012**

	1993	1995	2000	2004	2004	2005
	G.O. Bonds	G.O. Bonds	Limited Tax Note	C.O. Bonds	G.O. Bonds	C.O. Bonds
ASSETS						
Cash and cash equivalents	\$ 7,064	\$ 41,955	\$ 322,675	\$ 60,543	\$ 785,312	\$ 724,475
Investments	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):						
Grants	-	-	135,490	-	1,446	-
Accrued interest	-	-	-	-	-	-
Total assets	<u>\$ 7,064</u>	<u>\$ 41,955</u>	<u>\$ 458,165</u>	<u>\$ 60,543</u>	<u>\$ 786,758</u>	<u>\$ 724,475</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 102,743	\$ -	\$ 2,095	\$ 54
Due to other governments	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>102,743</u>	<u>-</u>	<u>2,095</u>	<u>54</u>
Fund balances:						
Restricted for:						
Capital projects	<u>7,064</u>	<u>41,955</u>	<u>355,422</u>	<u>60,543</u>	<u>784,663</u>	<u>724,421</u>
Total fund balances	<u>7,064</u>	<u>41,955</u>	<u>355,422</u>	<u>60,543</u>	<u>784,663</u>	<u>724,421</u>
Total liabilities and fund balances	<u>\$ 7,064</u>	<u>\$ 41,955</u>	<u>\$ 458,165</u>	<u>\$ 60,543</u>	<u>\$ 786,758</u>	<u>\$ 724,475</u>

EXHIBIT C-44

2006 G.O. Bonds	2007 G.O. & C.O. Bonds	2009 G.O. Bonds	2009 C.O. Bonds	2011 Pass Thru Financing 195/201	2012 C.O. Bonds	2012 G.O. Bonds	Total Nonmajor Capital Projects Nonmajor Capital Projects funds (See Exhibit C-1)
\$ 1,084	\$ 1,991,672	\$ 1,368,355	\$ 1,148,822	\$ 2,271,249	\$ 5,505,172	\$ 1,265,138	\$ 15,493,516
-	-	2,500,000	-	8,000,000	-	-	10,500,000
-	7,909	98,429	-	-	-	-	243,274
-	-	19,562	-	23,246	-	-	42,808
<u>\$ 1,084</u>	<u>\$ 1,999,581</u>	<u>\$ 3,986,346</u>	<u>\$ 1,148,822</u>	<u>\$ 10,294,495</u>	<u>\$ 5,505,172</u>	<u>\$ 1,265,138</u>	<u>\$ 26,279,598</u>
\$ -	\$ 2,663	\$ 331,584	\$ 3,436	\$ 325,198	\$ -	\$ -	\$ 767,773
-	-	-	-	-	3,741,139	-	3,741,139
<u>-</u>	<u>2,663</u>	<u>331,584</u>	<u>3,436</u>	<u>325,198</u>	<u>3,741,139</u>	<u>-</u>	<u>4,508,912</u>
1,084	1,996,918	3,654,762	1,145,386	9,969,297	1,764,033	1,265,138	21,770,686
<u>1,084</u>	<u>1,996,918</u>	<u>3,654,762</u>	<u>1,145,386</u>	<u>9,969,297</u>	<u>1,764,033</u>	<u>1,265,138</u>	<u>21,770,686</u>
<u>\$ 1,084</u>	<u>\$ 1,999,581</u>	<u>\$ 3,986,346</u>	<u>\$ 1,148,822</u>	<u>\$ 10,294,495</u>	<u>\$ 5,505,172</u>	<u>\$ 1,265,138</u>	<u>\$ 26,279,598</u>

CITY OF KILLEEN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	1993	1995	2000	2004	2004	2005
	G.O. Bonds	G.O. Bonds	Limited Tax Note	C.O. Bonds	G.O. Bonds	C.O. Bonds
REVENUES						
Intergovernmental	\$ -	\$ -	\$ 135,490	\$ -	\$ 1,446	50,000
Contributions	-	-	-	-	-	27,184
Miscellaneous	<u>7</u>	<u>46</u>	<u>1,007</u>	<u>192</u>	<u>892</u>	<u>1,106</u>
Total revenues	<u>7</u>	<u>46</u>	<u>136,497</u>	<u>192</u>	<u>2,338</u>	<u>78,290</u>
EXPENDITURES						
Public works	-	-	949,290	-	-	-
Capital outlay	-	-	236,324	270,800	5,152	147,379
Costs of issuance	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,185,614</u>	<u>270,800</u>	<u>5,152</u>	<u>147,379</u>
Excess (deficiency) of revenues over expenditures	<u>7</u>	<u>46</u>	<u>(1,049,117)</u>	<u>(270,608)</u>	<u>(2,814)</u>	<u>(69,089)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of capital-related debt	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7	46	(1,049,117)	(270,608)	(2,814)	(69,089)
Fund balances, October 1	<u>7,057</u>	<u>41,909</u>	<u>1,404,539</u>	<u>331,151</u>	<u>787,477</u>	<u>793,510</u>
Fund balances, September 30	<u>\$ 7,064</u>	<u>\$ 41,955</u>	<u>\$ 355,422</u>	<u>\$ 60,543</u>	<u>\$ 784,663</u>	<u>\$ 724,421</u>

EXHIBIT C-45

2006 G.O. Bonds	2007 G.O. & C.O. Bonds	2009 G.O. Bonds	2009 C.O. Bonds	2011 Pass Thru Financing 195/201	2012 C.O. Bonds	2012 G.O. Bonds	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ 17,501	100,255	\$ 15,984	\$ -	\$ -	\$ -	\$ 320,676
-	-	-	-	-	-	-	27,184
22	8,792	17,433	4,645	35,455	1,128	138	70,863
22	26,293	117,688	20,629	35,455	1,128	138	418,723
-	-	3,700	69,427	82,214	-	-	1,104,631
45,195	242,998	591,639	563,949	7,008,173	4,942,594	-	14,054,203
-	-	-	-	-	64,500	8,416	72,916
45,195	242,998	595,339	633,376	7,090,387	5,007,094	8,416	15,231,750
(45,173)	(216,705)	(477,651)	(612,747)	(7,054,932)	(5,005,966)	(8,278)	(14,813,027)
-	-	-	-	-	6,765,000	1,155,000	7,920,000
-	-	-	-	-	4,999	118,998	123,997
-	-	-	-	-	-	(582)	(582)
-	-	-	-	-	6,769,999	1,273,416	8,043,415
(45,173)	(216,705)	(477,651)	(612,747)	(7,054,932)	1,764,033	1,265,138	(6,769,612)
46,257	2,213,623	4,132,413	1,758,133	17,024,229	-	-	28,540,298
\$ 1,084	\$ 1,996,918	\$ 3,654,762	\$ 1,145,386	\$ 9,969,297	\$ 1,764,033	\$ 1,265,138	\$ 21,770,686

**CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budgeted Amounts		Variance - Positive (Negative)
				Original	Final	
Taxes:						
Ad valorem	\$ 25,310,270	\$ -	\$ 25,310,270	\$ 25,448,319	\$ 25,448,319	\$ (138,049)
Penalty and interest	257,479	-	257,479	270,000	270,000	(12,521)
Beverage	202,262	-	202,262	270,000	270,000	(67,738)
Franchise	5,376,816	-	5,376,816	5,448,530	5,448,530	(71,714)
City sales	19,904,737	(70,531)	19,834,206	18,800,000	18,800,000	1,034,206
Bingo	218,269	-	218,269	222,000	222,000	(3,731)
Total taxes	<u>51,269,833</u>	<u>(70,531)</u>	<u>51,199,302</u>	<u>50,458,849</u>	<u>50,458,849</u>	<u>740,453</u>
Licenses, permits and fees:						
Building permits and inspections	601,196	-	601,196	550,000	550,000	51,196
Electrical permits and inspections	132,253	-	132,253	130,000	130,000	2,253
Plumbing permits and inspections	136,261	-	136,261	130,000	130,000	6,261
Miscellaneous licenses	215,439	-	215,439	249,000	249,000	(33,561)
Taxi operators licenses	4,500	-	4,500	4,500	4,500	-
Food handlers permits	23,950	-	23,950	19,000	19,000	4,950
Trailer court licenses	10,470	-	10,470	9,000	9,000	1,470
Building plans review	108,925	-	108,925	110,000	110,000	(1,075)
Mechanical inspections	48,978	-	48,978	48,000	48,000	978
Code enforcement abatement	114,736	-	114,736	95,000	95,000	19,736
Total licenses, permits and fees	<u>1,396,708</u>	<u>-</u>	<u>1,396,708</u>	<u>1,344,500</u>	<u>1,344,500</u>	<u>52,208</u>
Intergovernmental:						
Bell County contribution - ambulance service	-	-	-	3,500	3,500	(3,500)
Civil defense matching funds	26,956	-	26,956	21,309	21,309	5,647
Community assistance	219,375	-	219,375	280,034	280,034	(60,659)
Public safety	462,010	-	462,010	686,898	765,283	(303,273)
Total intergovernmental	<u>708,341</u>	<u>-</u>	<u>708,341</u>	<u>991,741</u>	<u>1,070,126</u>	<u>(361,785)</u>
Charges for Services:						
Ambulance service fees	2,841,120	-	2,841,120	2,800,000	2,800,000	41,120
Miscellaneous police receipts	85,428	-	85,428	98,400	122,286	(36,858)
Planning and zoning fees	23,420	-	23,420	35,000	35,000	(11,580)
Cemetery lots	56,770	-	56,770	30,000	30,000	26,770
Golf course receipts	1,220,857	-	1,220,857	1,372,304	1,372,304	(151,447)
Recreation receipts	815,535	-	815,535	736,500	758,500	57,035
Family aquatics center	330,020	-	330,020	400,500	400,500	(70,480)
Library charges and contributions	40,430	-	40,430	29,700	29,700	10,730
Swimming pool receipts and lessons	72,917	-	72,917	65,000	65,000	7,917
Total charges for services	<u>5,486,497</u>	<u>-</u>	<u>5,486,497</u>	<u>5,567,404</u>	<u>5,613,290</u>	<u>(126,793)</u>
Fines:						
Municipal court fines	1,934,025	-	1,934,025	2,155,050	2,304,892	(370,867)
Arrest fines	322,310	-	322,310	310,000	310,000	12,310
Parking fines	16,233	-	16,233	35,000	35,000	(18,767)
Court tax service fee	118,333	-	118,333	100,000	100,000	18,333
Total fines	<u>2,390,901</u>	<u>-</u>	<u>2,390,901</u>	<u>2,600,050</u>	<u>2,749,892</u>	<u>(358,991)</u>
Miscellaneous:						
Contributions	423,348	-	423,348	464,455	472,756	(49,408)
Miscellaneous receipts	1,037,278	-	1,037,278	933,800	933,800	103,478
Total miscellaneous	<u>1,460,626</u>	<u>-</u>	<u>1,460,626</u>	<u>1,398,255</u>	<u>1,406,556</u>	<u>54,070</u>
Totals	<u>\$ 62,712,906</u>	<u>\$ (70,531)</u>	<u>\$ 62,642,375</u>	<u>\$ 62,360,799</u>	<u>\$ 62,643,213</u>	<u>\$ (838)</u>

CITY OF KILLEEN, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Budgeted Amounts		Variance - Positive (Negative)
				Original	Final	
General Government:						
City council	\$ 39,308	\$ -	\$ 39,308	\$ 63,288	\$ 63,434	\$ 24,126
City manager	248,179	-	248,179	405,336	405,720	157,541
Assistant city manager	191,099	-	191,099	263,109	263,310	72,211
City auditor	102,814	-	102,814	109,146	109,146	6,332
Municipal court	879,357	-	879,357	951,515	951,805	72,448
Public information	184,310	-	184,310	198,245	198,347	14,037
City attorney	840,622	-	840,622	880,596	904,996	64,374
City secretary	116,378	-	116,378	135,488	135,761	19,383
Financial services	2,101,147	-	2,101,147	2,240,235	2,254,120	152,973
Human resources	1,077,755	-	1,077,755	1,252,573	1,277,592	199,837
Information systems	803,535	-	803,535	930,523	930,803	127,268
Planning and development	2,530,413	-	2,530,413	2,716,365	2,751,670	221,257
Non-departmental	5,496,874	(4,592)	5,492,282	5,773,882	5,891,855	399,573
Total general government	14,611,791	(4,592)	14,607,199	15,920,301	16,138,559	1,531,360
Public Safety:						
Police	23,849,923	-	23,849,923	23,848,592	24,112,247	262,324
Animal control	520,482	-	520,482	585,539	590,600	70,118
Fire	16,753,374	-	16,753,374	16,832,528	17,050,417	297,043
Total public safety	41,123,779	-	41,123,779	41,266,659	41,753,264	629,485
Public Works:						
Public works	240,686	-	240,686	239,465	253,580	12,894
Traffic	1,005,442	-	1,005,442	834,829	936,885	(68,557)
Street	2,728,784	-	2,728,784	2,880,790	2,936,530	207,746
Total public works	3,974,912	-	3,974,912	3,955,084	4,126,995	152,083
Community Services:						
Senior citizens	280,743	-	280,743	357,462	312,970	32,227
Library	1,459,137	-	1,459,137	1,492,741	1,496,340	37,203
Parks	2,695,958	-	2,695,958	2,796,008	2,856,498	160,540
Recreation	253,420	-	253,420	250,730	270,438	17,018
Athletics	371,657	-	371,657	399,687	401,605	29,948
Swimming pools	34,530	-	34,530	117,624	48,379	13,849
Family aquatics center	451,961	-	451,961	401,101	481,793	29,832
Golf course	1,368,025	-	1,368,025	1,411,105	1,449,684	81,659
Cemetery	322,406	-	322,406	326,078	335,259	12,853
Killeen arts and activities center	141,082	-	141,082	182,865	182,865	41,783
Volunteer services	167,490	-	167,490	170,250	171,260	3,770
Total community services	7,546,409	-	7,546,409	7,905,651	8,007,091	460,682
Totals	\$ 67,256,891	\$ (4,592)	\$ 67,252,299	\$ 69,047,695	\$ 70,025,909	\$ 2,773,610

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STATISTICAL SECTION

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**CITY OF KILLEEN, TEXAS
STATISTICAL SECTION
(UNAUDITED)**

This part of the City of Killeen’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City’s overall financial health. This information has not been audited by the independent auditors.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	152
Revenue Capacity	
These schedules contain information to help the reader assess the City’s significant local revenue sources, the property and sales tax.	164
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City’s currently outstanding debt and the City’s ability to issue additional debt in the future.	170
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	176
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information contained in the City’s financial report relates to the services the City provides and the activities it performs.	182

Sources: Unless otherwise noted, the information in these schedules is derived from the City’s comprehensive annual financial reports for the relevant year.

**CITY OF KILLEEN, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 6,925,605	\$ 6,214,132	\$ 61,202,734	\$ 64,943,647
Restricted for:				
Debt service	966,333	1,770,519	1,805,892	1,834,087
Capital projects	1,975,672	1,319,532	1,959,944	3,375,187
Other purposes	-	-	1,045,638	1,753,412
Unrestricted	3,461,394	2,351,308	15,361,775	17,089,942
Total governmental activities net assets	<u>\$ 13,329,004</u>	<u>\$ 11,655,491</u>	<u>\$ 81,375,983</u>	<u>\$ 88,996,275</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 74,670,451	\$ 103,780,206	\$ 122,964,598	\$ 146,389,308
Restricted for:				
Debt service	2,319,315	3,258,464	6,130,078	8,246,358
Capital projects	1,614,967	1,542,978	9,067,780	3,836,414
Unrestricted	22,632,162	23,524,097	16,045,497	23,048,333
Total business-type activities net assets	<u>\$ 101,236,895</u>	<u>\$ 132,105,745</u>	<u>\$ 154,207,953</u>	<u>\$ 181,520,413</u>
Primary government				
Invested in capital assets, net of related debt	\$ 81,596,056	\$ 109,994,338	\$ 184,167,332	\$ 211,332,955
Restricted for:				
Debt service	3,285,648	5,028,983	7,935,970	10,080,445
Capital projects	3,590,639	2,862,510	11,027,724	7,211,601
Other purposes	-	-	1,045,638	1,753,412
Unrestricted	26,093,556	25,875,405	31,407,272	40,138,275
Total primary government activities net assets	<u>\$ 114,565,899</u>	<u>\$ 143,761,236</u>	<u>\$ 235,583,936</u>	<u>\$ 270,516,688</u>

Note: The data in this table is extracted from Exhibit A-1.

TABLE I

2007	2008	2009	2010	2011	2012
\$ 66,407,909	\$ 71,779,033	\$ 70,086,573	\$ 66,697,447	\$ 67,024,699	\$ 62,566,576
2,358,132	3,440,517	3,359,077	3,008,055	6,033,367	4,893,750
5,336,131	5,073,720	9,269,562	8,085,411	7,134,634	2,089,363
1,976,662	2,976,016	3,944,130	3,271,170	2,768,621	3,045,444
17,780,708	19,250,157	17,417,463	16,516,531	12,126,100	16,857,071
<u>\$ 93,859,542</u>	<u>\$ 102,519,443</u>	<u>\$ 104,076,805</u>	<u>\$ 97,578,614</u>	<u>\$ 95,087,421</u>	<u>\$ 89,452,204</u>
\$ 153,152,207	\$ 157,885,676	\$ 160,788,607	\$ 164,542,836	\$ 171,472,647	\$ 176,347,544
6,277,051	6,466,505	9,025,106	7,987,426	7,963,550	7,999,802
-	-	3,016,080	14,536,005	10,665,886	6,666,298
32,582,310	36,562,391	28,216,103	17,959,851	22,652,313	26,890,235
<u>\$ 192,011,568</u>	<u>\$ 200,914,572</u>	<u>\$ 201,045,896</u>	<u>\$ 205,026,118</u>	<u>\$ 212,754,396</u>	<u>\$ 217,903,879</u>
\$ 219,560,116	\$ 229,664,709	\$ 230,875,180	\$ 231,240,283	\$ 238,497,346	\$ 238,914,120
8,635,183	9,907,022	12,384,183	10,995,481	13,996,917	12,893,552
5,336,131	5,073,720	12,285,642	22,621,416	17,800,520	8,755,661
1,976,662	2,976,016	3,944,130	3,271,170	2,768,621	3,045,444
50,363,018	55,812,548	45,633,566	34,476,382	34,778,413	43,747,306
<u>\$ 285,871,110</u>	<u>\$ 303,434,015</u>	<u>\$ 305,122,701</u>	<u>\$ 302,604,732</u>	<u>\$ 307,841,817</u>	<u>\$ 307,356,083</u>

**CITY OF KILLEEN, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 5,909,419	\$ 5,842,809	\$ 10,682,868	\$ 8,999,154
Police	12,417,928	13,089,343	13,832,604	16,409,733
Fire	8,088,627	8,486,901	8,821,118	10,237,310
Public works	4,163,846	4,243,173	8,196,856	7,981,922
Library	1,035,455	1,114,788	1,191,165	1,251,417
Parks and recreation	2,304,288	2,260,543	2,275,674	2,343,001
Golf	883,249	938,219	-	-
Permits and inspections	774,467	809,547	660,593	831,036
Community services	2,456,795	2,313,403	1,978,699	1,249,783
Code enforcement	-	-	-	-
Miscellaneous	4,333,295	5,595,140	4,237,878	3,613,371
Interest in long-term debt	1,975,274	2,114,399	2,544,857	3,294,913
Total governmental activities expenses	<u>44,342,643</u>	<u>46,808,265</u>	<u>54,422,312</u>	<u>56,211,640</u>
Business-type activities				
Airport operations	1,788,231	2,411,035	4,882,236	5,433,754
Golf	-	-	1,217,555	1,300,493
Solid waste	6,833,500	7,273,485	7,485,257	9,235,406
Water and sewer	14,083,204	14,492,967	17,984,565	20,050,177
Drainage utility	332,238	286,990	430,436	526,775
Total business-type activities expenses	<u>23,037,173</u>	<u>24,464,477</u>	<u>32,000,049</u>	<u>36,546,605</u>
Total primary government expenses	<u>\$ 67,379,816</u>	<u>\$ 71,272,742</u>	<u>\$ 86,422,361</u>	<u>\$ 92,758,245</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,002,461	\$ 915,400	\$ 1,074,124	\$ 1,449,310
Police	784,946	783,196	608,374	615,623
Fire	1,591,157	1,421,718	1,702,125	1,703,377
Library	34,344	34,160	53,122	51,355
Parks and recreation	126,616	117,064	101,373	130,891
Golf course	930,207	609,103	-	-
Permits and inspections	911,366	1,041,730	1,226,994	1,673,018
Community services	781,583	605,946	523,335	541,789
Code enforcement	-	-	-	-
Miscellaneous	214,465	285,150	384,367	596,207
Operating grants and contributions	1,128,958	1,517,458	2,433,893	1,743,344
Capital grants and contributions	21,138	201,616	154,573	5,230,912
Total governmental activities program revenues	<u>\$ 7,527,241</u>	<u>\$ 7,532,541</u>	<u>\$ 8,262,280</u>	<u>\$ 13,735,826</u>

Note: The data in this table is extracted from Exhibit A-2.

TABLE II

	2007	2008	2009	2010	2011	2012
\$	13,059,352	\$ 14,662,853	\$ 13,873,564	\$ 16,580,327	\$ 18,165,769	\$ 16,841,919
	18,035,487	20,397,809	21,808,286	24,495,756	26,236,271	27,239,221
	11,732,401	14,337,399	16,272,177	16,345,268	18,226,647	17,869,191
	8,835,018	8,982,754	10,655,648	11,062,840	10,395,353	11,038,454
	1,324,670	1,454,180	1,683,583	1,481,728	1,607,797	1,494,038
	2,602,046	3,016,481	3,472,513	2,684,980	3,865,604	3,769,409
	1,470,975	1,671,261	1,879,877	1,714,427	1,879,011	1,504,793
	1,402,169	1,116,316	-	-	-	-
	4,201,866	4,499,962	5,625,155	5,711,591	5,327,023	4,250,488
	-	566,497	-	-	-	-
	-	-	-	-	-	-
	3,526,706	5,229,662	5,092,447	5,280,410	5,418,468	7,632,519
	66,190,690	75,935,174	80,363,250	85,357,327	91,121,943	91,640,032
	6,032,956	6,945,205	6,788,224	6,843,195	7,266,448	7,244,913
	-	-	-	-	-	-
	9,923,685	11,119,731	11,811,015	12,239,129	12,522,011	13,019,791
	21,805,817	23,228,947	24,610,252	25,586,685	26,689,831	27,525,085
	1,354,988	1,792,628	2,405,678	2,336,704	2,926,201	2,778,690
	39,117,446	43,086,511	45,615,169	47,005,713	49,404,491	50,568,479
\$	105,308,136	\$ 119,021,685	\$ 125,978,419	\$ 132,363,040	\$ 140,526,434	\$ 142,208,511
\$	1,845,447	\$ 2,262,954	\$ 4,501,278	\$ 4,185,056	\$ 4,613,298	\$ 5,340,754
	240,764	466,590	1,442,079	877,344	898,164	893,428
	2,371,608	2,548,848	2,674,030	2,724,017	2,886,744	2,884,153
	41,944	48,501	39,973	42,879	40,032	40,430
	233,265	244,901	756,496	1,049,252	1,097,994	1,185,028
	1,084,479	1,267,776	1,294,705	1,210,900	1,303,724	1,220,856
	1,414,929	1,450,396	-	-	-	-
	-	33,029	272,237	741,400	696,981	787,522
	-	67,685	-	-	-	-
	-	-	-	-	-	-
	5,088,196	3,402,527	3,079,605	2,816,838	3,398,318	2,143,652
	4,293,671	6,400,992	2,348,835	1,842,757	5,300,013	954,919
\$	16,614,303	\$ 18,194,199	\$ 16,409,238	\$ 15,490,443	\$ 20,235,268	\$ 15,450,742

(CONTINUED)

**CITY OF KILLEEN, TEXAS
CHANGES IN NET ASSETS (CONTINUED)
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charges for services:				
Airport operations	\$ 1,496,325	\$ 1,478,571	\$ 3,150,301	\$ 3,621,665
Golf	-	-	906,249	981,774
Solid waste	8,524,107	9,694,642	10,344,840	11,076,247
Water and sewer	21,960,301	20,742,089	31,422,147	27,036,300
Drainage utility	-	773,918	826,226	1,608,920
Operating grants and contributions	750,819	-	-	11,857
Capital grants and contributions	13,298,763	20,020,057	7,364,203	19,447,587
Total business-type activities				
program revenues	46,030,315	52,709,277	54,013,966	63,784,350
Total primary government				
program revenues	\$ 53,557,556	\$ 60,241,818	\$ 62,276,246	\$ 77,520,176
Net (expense)/revenue:				
Governmental activities	\$ (36,815,402)	\$ (39,275,724)	\$ (46,160,032)	\$ (42,475,814)
Business-type activities	22,993,142	28,244,800	22,013,917	27,237,745
Total primary government net expense	\$ (13,822,260)	\$ (11,030,924)	\$ (24,146,115)	\$ (15,238,069)
General revenues and other changes in net assets				
Governmental activities:				
Ad valorem taxes	\$ 15,389,541	\$ 17,195,320	\$ 18,238,325	\$ 20,427,442
Penalties and interest	150,039	150,943	173,518	172,446
Beverage taxes	144,208	163,675	183,734	188,977
Franchise taxes	4,114,950	3,933,838	4,231,604	4,739,736
City sales taxes	14,113,096	15,634,498	17,395,394	18,452,935
Bingo taxes	105,745	129,452	159,131	199,000
Unrestricted investment earnings	528,202	450,595	1,482,665	3,354,917
Gain on sale of capital assets	-	-	-	18,668
Lease revenue	-	-	-	-
Transfers	2,869,788	(56,113)	1,293,046	2,541,985
Total governmental activities	37,415,569	37,602,208	43,157,417	50,096,106
Business-type activities:				
Investment earnings	465,098	379,710	1,368,837	2,568,478
Gain on sale of capital assets	5,052	8,953	12,500	48,222
Lease revenue	-	-	-	-
Transfers	(2,869,788)	56,113	(1,293,046)	(2,541,985)
Total business-type activities	(2,399,638)	444,776	88,291	74,715
Total primary government	\$ 35,015,931	\$ 38,046,984	\$ 43,245,708	\$ 50,170,821
Changes in net assets:				
Governmental activities	\$ 600,167	\$ (1,673,516)	\$ (3,002,615)	\$ 7,620,293
Business-type activities	20,593,504	28,689,576	22,102,208	27,312,460
Total primary government	\$ 21,193,671	\$ 27,016,060	\$ 19,099,593	\$ 34,932,753

TABLE II (CONT'D)

2007	2008	2009	2010	2011	2012
\$ 4,182,662	\$ 4,349,157	\$ 4,165,638	\$ 4,632,837	\$ 4,699,432	\$ 4,470,443
-	-	-	-	-	-
11,541,857	11,669,439	11,688,896	13,530,501	14,405,513	15,366,604
26,898,319	30,195,389	30,603,258	30,001,656	35,659,361	37,571,221
2,124,081	2,807,992	2,909,004	3,016,767	3,597,206	3,732,993
25,304	49,885	-	-	-	21,759
8,981,423	6,263,495	4,590,343	5,125,074	6,195,071	2,322,768
<u>53,753,646</u>	<u>55,335,357</u>	<u>53,957,139</u>	<u>56,306,835</u>	<u>64,556,583</u>	<u>63,485,788</u>
<u>\$ 70,367,949</u>	<u>\$ 73,529,556</u>	<u>\$ 70,366,377</u>	<u>\$ 71,797,278</u>	<u>\$ 84,791,851</u>	<u>\$ 78,936,530</u>
\$ (49,576,387)	\$ (57,740,975)	\$ (63,954,012)	\$ (69,866,884)	\$ (70,886,675)	\$ (76,189,290)
14,636,200	12,248,846	8,341,970	9,301,122	15,152,092	12,917,309
<u>\$ (34,940,187)</u>	<u>\$ (45,492,129)</u>	<u>\$ (55,612,042)</u>	<u>\$ (60,565,762)</u>	<u>\$ (55,734,583)</u>	<u>\$ (63,271,981)</u>
\$ 23,692,133	\$ 26,916,750	\$ 29,735,458	\$ 30,779,266	\$ 33,109,001	\$ 34,033,003
205,665	222,122	238,617	250,000	256,765	254,874
240,268	310,536	268,902	293,119	254,405	202,262
4,960,867	5,078,001	5,203,332	5,406,007	6,277,179	5,621,923
20,009,130	21,220,074	19,850,152	20,648,682	20,306,910	21,557,147
199,589	222,237	221,231	220,694	213,972	218,269
3,722,650	3,380,735	1,013,032	211,699	353,738	502,041
-	-	-	-	-	27,600
-	-	-	-	-	166,113
4,013,454	5,877,838	7,697,188	5,559,226	7,623,512	7,970,841
<u>57,043,756</u>	<u>63,228,293</u>	<u>64,227,912</u>	<u>63,368,693</u>	<u>68,395,482</u>	<u>70,554,073</u>
2,920,129	2,500,202	747,651	203,576	128,751	144,151
-	31,794	22,353	34,750	21,334	31,364
-	-	-	-	49,613	27,500
<u>(4,013,454)</u>	<u>(5,877,838)</u>	<u>(7,697,188)</u>	<u>(5,559,226)</u>	<u>(7,623,512)</u>	<u>(7,970,841)</u>
<u>(1,093,325)</u>	<u>(3,345,842)</u>	<u>(6,927,184)</u>	<u>(5,320,900)</u>	<u>(7,423,814)</u>	<u>(7,767,826)</u>
<u>\$ 55,950,431</u>	<u>\$ 59,882,451</u>	<u>\$ 57,300,728</u>	<u>\$ 58,047,793</u>	<u>\$ 60,971,668</u>	<u>\$ 62,786,247</u>
\$ 7,467,369	\$ 5,487,318	\$ 273,900	\$ (6,498,191)	\$ (2,491,193)	\$ (5,635,217)
13,542,875	8,903,004	1,414,786	3,980,222	7,728,278	5,149,483
<u>\$ 21,010,244</u>	<u>\$ 14,390,322</u>	<u>\$ 1,688,686</u>	<u>\$ (2,517,969)</u>	<u>\$ 5,237,085</u>	<u>\$ (485,734)</u>

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TABLE III

**CITY OF KILLEEN, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Ad Valorem Taxes*	Penalty and Interest	City Sales Tax	Beverage Tax	Franchise Tax	Bingo	Total
2003	11,643,486	150,039	13,321,622	144,208	4,114,949	105,742	29,480,046
2004	12,846,085	150,943	14,659,223	163,675	3,933,838	129,452	31,883,216
2005	13,702,865	173,518	16,240,984	183,734	4,231,603	159,132	34,691,836
2006	14,750,670	172,446	18,452,935	188,977	4,739,736	199,000	38,503,764
2007	23,692,133	205,665	20,009,130	240,268	4,960,867	199,589	49,307,652
2008	26,916,750	222,122	21,220,074	310,536	5,078,001	222,237	53,969,720
2009	29,735,458	238,617	19,850,152	268,902	5,203,332	221,231	55,517,692
2010	30,779,266	250,000	20,648,682	293,119	5,406,007	220,694	57,597,768
2011	33,109,001	256,765	20,306,910	254,405	6,277,179	213,972	60,418,232
2012	34,033,003	254,874	21,557,147	202,262	5,621,923	218,269	61,887,478

*Includes General Fund tax revenues only for 2002-2006.

**CITY OF KILLEEN, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved				
Encumbrances	\$ 306,008	\$ 528,803	\$ 1,194,710	\$ 930,956
Non-current portion of notes receivable	15,858	15,858	-	-
Inventories	433,794	485,253	291,166	282,285
Prepaid expenditures	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated	1,525,000	1,525,000	1,525,000	1,525,000
Undesignated	13,240,969	12,954,178	14,880,099	17,896,691
Nonspendable:				
Inventories	-	-	-	-
Prepaid assets	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Other purposes	-	-	-	-
Committed to:				
Vehicle replacement	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 15,521,629</u>	<u>\$ 15,509,092</u>	<u>\$ 17,890,975</u>	<u>\$ 20,634,932</u>
All other governmental funds:				
Reserved for:				
Encumbrances	\$ 164,417	\$ 337,535	\$ 465,248	\$ 133,860
Inventories	-	-	-	-
Debt service	966,333	1,770,519	2,157,576	2,294,404
Capital projects	13,744,301	5,261,012	24,509,045	39,978,725
Unreserved:				
Other governmental funds	-	-	1,045,638	1,753,412
Undesignated - special revenue	809,805	757,107	-	-
Nonspendable:				
Inventories	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Committed to:				
Killeen Arts and Activities Center	-	-	-	-
Total all other governmental funds	<u>\$ 15,684,856</u>	<u>\$ 8,126,173</u>	<u>\$ 28,177,507</u>	<u>\$ 44,160,401</u>

Note: The data in this table is extracted from Exhibit A-3.

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011, and opted not to restate previous years' activity.

TABLE IV

2007	2008	2009	2010	2011	2012
\$ 1,716,100	\$ 754,278	\$ 692,172	\$ 635,783	\$ -	\$ -
-	-	-	-	-	-
361,620	414,624	368,180	404,478	-	-
-	-	-	-	-	-
-	240,170	240,170	240,170	-	-
1,525,000	1,525,000	1,837,688	1,891,405	-	-
18,186,697	21,177,858	19,825,761	19,029,602	-	-
-	-	-	-	417,664	449,156
-	-	-	-	170,891	105,188
-	-	-	-	240,171	-
-	-	-	-	380,641	492,440
-	-	-	-	63,383	-
-	-	-	-	17,977,741	22,517,086
<u>\$ 21,789,417</u>	<u>\$ 24,111,930</u>	<u>\$ 22,963,971</u>	<u>\$ 22,201,438</u>	<u>\$ 19,250,491</u>	<u>\$ 23,563,870</u>
\$ 328,900	\$ 101,922	\$ 116,078	\$ 244,044	\$ -	\$ -
-	-	4,861	6,864	-	-
2,806,680	4,019,172	4,042,477	3,630,277	-	-
24,355,131	45,197,523	34,946,977	18,801,542	-	-
-	-	1,972	-	-	-
1,976,662	2,976,016	3,944,130	3,271,170	-	-
-	-	-	-	6,196	7,493
-	-	-	-	7,055,118	6,315,862
-	-	-	-	56,991,885	73,687,602
-	-	-	-	2,387,980	2,553,004
-	-	-	-	38,232	34,311
<u>\$ 29,467,373</u>	<u>\$ 52,294,633</u>	<u>\$ 43,056,495</u>	<u>\$ 25,953,897</u>	<u>\$ 66,479,411</u>	<u>\$ 82,598,272</u>

CITY OF KILLEEN, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 33,942,040	\$ 37,236,747	\$ 40,374,681	\$ 44,209,826
Licenses and permits	911,366	1,041,730	1,226,994	1,673,018
Intergovernmental	1,150,096	1,719,074	2,544,806	1,808,426
Charges for services	3,296,013	2,787,143	2,478,713	2,896,794
Fines	723,143	894,038	1,036,688	1,346,557
Contributions	-	-	-	-
Developer contributions	-	-	-	5,152,753
Miscellaneous	1,725,039	1,347,704	2,542,252	4,573,737
Total revenues	<u>41,747,697</u>	<u>45,026,436</u>	<u>50,204,134</u>	<u>61,661,111</u>
Expenditures:				
General government	5,545,415	5,467,205	6,366,296	7,568,283
Public safety	19,310,906	20,389,613	21,486,251	25,346,243
Public works	3,966,588	4,042,427	4,517,392	4,303,518
Community services	6,507,274	6,469,184	5,196,402	4,704,721
Miscellaneous	4,210,902	4,706,548	5,690,519	4,851,202
Capital outlay	4,573,686	7,223,249	3,812,506	13,664,044
Debt service:				
Principal	2,453,488	2,842,567	2,907,350	3,066,407
Interest	1,835,077	2,154,860	2,531,840	3,167,191
Fiscal charges	16,515	18,559	18,677	19,089
Costs of issuance	90,533	-	120,732	-
Deferred amount on refunding	-	-	-	-
Total expenditures	<u>48,510,384</u>	<u>53,314,212</u>	<u>52,647,965</u>	<u>66,690,698</u>
Deficiency of revenues under expenditures	<u>(6,762,687)</u>	<u>(8,287,776)</u>	<u>(2,443,831)</u>	<u>(5,029,587)</u>
Other financing sources (uses):				
Issuance of capital-related debt	11,000,000	772,669	18,969,760	21,623,647
Refunding bonds issued	-	-	-	-
Premium/discount on issuance of debt	212,000	-	-	(427,862)
Proceeds from fixed asset dispositions	-	-	-	18,668
Refund to bond escrow agent	-	-	-	-
Transfers in	5,276,758	6,064,663	8,272,993	6,711,505
Transfers out	(2,406,970)	(6,120,776)	(2,940,146)	(4,169,520)
Total other financing sources	<u>14,081,788</u>	<u>716,556</u>	<u>24,302,607</u>	<u>23,756,438</u>
Net changes in fund balances	<u>\$ 7,319,101</u>	<u>\$ (7,571,220)</u>	<u>\$ 21,858,776</u>	<u>\$ 18,726,851</u>
Debt service as a percentage of noncapital expenditures	9.8%	10.5%	11.5%	12.1%

Note: The data in this table is extracted from Exhibit A-5.

TABLE V

	2007	2008	2009	2010	2011	2012
\$	49,259,941	\$ 53,937,806	\$ 55,435,770	\$ 57,594,108	\$ 60,328,145	\$ 61,993,688
	1,292,332	1,438,989	1,100,819	1,365,200	1,284,569	1,396,708
	5,088,196	3,023,159	2,416,723	3,302,656	4,714,540	2,067,471
	4,034,110	4,857,966	5,474,140	5,581,992	5,896,989	5,952,211
	1,845,447	2,644,196	3,993,509	3,246,230	3,503,274	3,308,807
	-	-	465,885	446,996	549,145	450,532
	3,305,484	5,888,521	1,984,083	850,165	3,375,908	-
	4,711,079	3,755,908	2,021,935	905,216	1,220,296	1,931,194
	<u>69,536,589</u>	<u>75,546,545</u>	<u>72,892,864</u>	<u>73,292,563</u>	<u>80,872,866</u>	<u>77,100,611</u>
	6,656,910	7,096,970	8,709,995	10,465,499	10,794,299	10,704,020
	28,487,534	33,188,694	35,666,780	36,873,391	40,841,867	41,517,877
	4,881,644	5,100,406	4,672,140	4,047,734	4,340,764	5,097,995
	9,822,757	10,566,828	10,863,401	9,305,228	10,701,424	8,858,814
	4,652,358	5,468,436	4,247,495	5,531,595	6,412,904	5,451,968
	19,518,661	30,278,105	37,746,644	20,243,349	19,187,531	19,626,046
	4,528,400	5,120,434	5,005,274	4,985,911	5,366,470	5,575,102
	3,507,615	4,795,150	4,938,132	5,195,100	5,123,184	7,583,116
	6,227	259,376	18,924	25,732	13,395	14,245
	-	-	-	109,000	335,000	336,101
	-	-	-	546,097	140,981	-
	<u>82,062,106</u>	<u>101,874,399</u>	<u>111,868,785</u>	<u>97,328,636</u>	<u>103,257,819</u>	<u>104,765,284</u>
	<u>(12,525,517)</u>	<u>(26,327,854)</u>	<u>(38,975,921)</u>	<u>(24,036,073)</u>	<u>(22,384,953)</u>	<u>(27,664,673)</u>
	-	42,868,775	19,675,000	-	50,100,000	39,320,000
	-	-	744,600	13,330,000	6,875,000	18,345,000
	-	(441,569)	(82,825)	365,808	2,451,008	3,391,957
	-	-	-	-	-	-
	-	-	(727,601)	(13,084,092)	(7,090,000)	(20,930,885)
	6,056,081	7,294,703	13,392,203	20,103,714	18,075,712	10,257,467
	<u>(2,042,627)</u>	<u>(1,416,865)</u>	<u>(5,695,015)</u>	<u>(14,544,488)</u>	<u>(10,452,200)</u>	<u>(2,286,626)</u>
	<u>4,013,454</u>	<u>48,305,044</u>	<u>27,306,362</u>	<u>6,170,942</u>	<u>59,959,520</u>	<u>48,096,913</u>
\$	<u>(8,512,063)</u>	<u>\$ 21,977,190</u>	<u>\$ (11,669,559)</u>	<u>\$ (17,865,131)</u>	<u>\$ 37,574,567</u>	<u>\$ 20,432,240</u>
	13.1%	14.1%	13.3%	12.8%	12.4%	15.5%

TABLE VI

CITY OF KILLEEN, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxable Assessed Value		Less: Tax Exempt Property	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property					
2003	2,014,916,592	315,247,673	286,553,517	2,043,610,748	0.6800	2,623,975,762	0.7788
2004	2,522,768,679	320,734,650	307,256,037	2,536,247,292	0.6990	2,854,692,140	0.8884
2005	2,660,558,752	350,370,677	320,635,274	2,690,294,155	0.6950	3,018,010,096	0.8914
2006	2,998,256,599	360,965,321	335,207,423	3,024,014,497	0.6950	3,395,819,417	0.8905
2007	3,492,613,445	362,828,152	350,942,363	3,504,499,234	0.6950	3,904,819,744	0.8975
2008	3,977,228,893	370,077,827	371,725,172	3,975,581,548	0.6950	4,375,136,071	0.9087
2009	4,399,405,101	388,992,264	390,286,994	4,398,110,371	0.6950	4,810,217,058	0.9143
2010	4,697,341,556	381,864,985	513,563,290	4,565,643,251	0.6950	5,097,637,799	0.8956
2011	4,757,431,670	379,688,426	538,872,784	4,598,247,312	0.7428	5,153,883,639	0.8922
2012	4,910,126,647	372,499,175	555,982,344	4,726,643,478	0.7428	5,301,412,785	0.8916

Source: Bell County Tax Appraisal District

TABLE VII

**CITY OF KILLEEN, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Year	City of Killeen General Fund	City of Killeen Debt Service	Total City of Killeen	Bell County	Killeen ISD	Central Texas College	Total
2003	2002	0.52110	0.17790	0.6990	0.3651	1.5223	0.1475	2.7339
2004	2003	0.52183	0.17317	0.6950	0.3650	1.5633	0.1475	2.7708
2005	2004	0.52183	0.17317	0.6950	0.3610	1.5583	0.1470	2.7613
2006	2005	0.50020	0.19480	0.6950	0.3760	1.5583	0.1460	2.7753
2007	2006	0.47625	0.21875	0.6950	0.3815	1.4191	0.1420	2.6376
2008	2007	0.46256	0.23244	0.6950	0.3795	1.1412	0.1420	2.3577
2009	2008	0.49281	0.20219	0.6950	0.3779	1.1412	0.1410	2.3551
2010	2009	0.49057	0.20443	0.6950	0.3759	1.1412	0.1409	2.3530
2011	2010	0.50872	0.23408	0.7428	0.3820	1.1412	0.1409	2.4069
2012	2011	0.54734	0.19546	0.7428	0.4096	1.1412	0.1409	2.4345

Source: Bell County Tax Appraisal District

TABLE VIII

**CITY OF KILLEEN, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Name of Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Oncor Electric Delivery Co. LLC	\$ 44,842,122	1	0.95%	\$ 32,535,502	2	1.59%
Wal-Mart Real Estate	20,043,702	2	0.42%	8,013,187	8	0.39%
Killeen Mall, LLC	16,891,015	3	0.36%			
Central Telephone Company of TX	15,480,932	4	0.33%	33,660,503	1	1.65%
Stone Creek Investment LLC	14,097,454	5	0.30%			
Watercrest Place LP	12,308,709	6	0.26%			
HEB Grocery Company, LP	11,868,499	7	0.25%			
WLC Brookside Apartments LP	10,502,412	8	0.22%			
Feiga/Sierra Creek LP	10,123,955	9	0.21%	9,544,275	6	0.47%
AEGIS Communications Group, Inc.	8,865,055	10	0.19%			
Sallie Mae Inc.				15,869,536	3	0.78%
Time Warner Advance				12,520,424	4	0.61%
Southwest Shopping Center				12,434,329	5	0.61%
Wal-Mart Stores				9,207,310	7	0.45%
Secretary of Veterans Affairs				7,843,186	9	0.38%
Stone Stream Associates LP				6,659,421	10	0.33%
Subtotal	<u>165,023,855</u>		<u>3.49%</u>	<u>148,287,673</u>		<u>7.26%</u>
All other taxpayers	<u>4,561,619,623</u>		<u>96.51%</u>	<u>1,895,323,075</u>		<u>92.74%</u>
	<u>\$ 4,726,643,478</u>		<u>100.00%</u>	<u>\$ 2,043,610,748</u>		<u>100.00%</u>

Source: Bell County Tax Appraisal District

TABLE IX

**CITY OF KILLEEN, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year September 30	Total Tax Levy for Fiscal Year	Tax Levy	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years (1)	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2003	2002	15,845,119	15,045,984	94.96%	418,055	15,464,039	97.59%
2004	2003	17,728,368	16,959,606	95.66%	415,950	17,375,556	98.01%
2005	2004	18,697,545	17,957,697	96.04%	441,789	18,399,486	98.41%
2006	2005	21,016,898	20,179,257	96.01%	461,613	20,640,870	98.21%
2007	2006	24,348,127	23,386,242	96.05%	490,899	23,877,141	98.07%
2008	2007	27,630,290	26,697,567	96.62%	339,246	27,036,813	97.85%
2009	2008	30,566,865	29,523,348	96.59%	354,100	29,877,448	97.74%
2010	2009	31,715,948	30,605,848	96.50%	370,681	30,976,529	97.67%
2011	2010	34,067,649	32,916,498	96.62%	295,346	33,211,844	97.49%
2012	2011	35,011,924	33,901,259	96.83%	432,065	34,333,324	98.06%

(1) Information required by GASB #44 differs from information reported. Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Bell County Tax Assessor's office.

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TABLE X**CITY OF KILLEEN, TEXAS
ADOPTED TAX RATE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Assessed Valuation</u>	<u>Assessments Rate</u>	<u>Gross Tax Rate</u>
2003	2002	2,330,164,265	100%	0.6800
2004	2003	2,843,503,329	100%	0.6990
2005	2004	3,010,929,429	100%	0.6950
2006	2005	3,359,221,920	100%	0.6950
2007	2006	3,855,441,597	100%	0.6950
2008	2007	4,347,306,720	100%	0.6950
2009	2008	4,788,397,365	100%	0.6950
2010	2009	5,079,206,541	100%	0.6950
2011	2010	5,137,120,096	100%	0.7428
2012	2011	5,282,625,822	100%	0.7428

Source: Bell County Tax Appraisal District

**CITY OF KILLEEN, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities					General Obligation Bonds	Revenue Bonds
	General Obligation Bonds	Certificates of Obligation	Limited Tax Notes	Capital Lease Payable	Total Governmental Activities		
2003	10,676,668	30,806,000	2,035,000	-	43,517,668	9,408,332	29,490,000
2004	9,166,101	29,949,000	1,560,000	-	40,675,101	8,988,898	27,905,000
2005	25,784,251	29,718,500	1,065,000	-	56,567,751	7,905,749	46,665,000
2006	34,659,101	39,797,243	545,000	-	75,001,344	6,415,899	45,320,000
2007	31,963,701	41,421,743	-	-	73,385,444	5,486,299	43,670,000
2008	46,576,501	63,697,743	-	859,541	111,133,785	4,523,499	63,105,000
2009	56,829,600	68,331,973	-	658,937	125,820,510	3,635,400	60,390,000
2010	67,810,500	52,865,000	-	449,099	121,124,599	2,614,500	56,640,000
2011	72,163,200	93,250,000	-	229,602	165,642,802	1,626,800	53,570,000
2012	79,662,700	118,365,000	-	-	198,027,700	6,887,300	50,945,000

TABLE XI

Business-Type Activities			Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
Certificates of Obligation	Notes Payable	Limited Tax Notes				
829,000	30,900	600,000	40,358,232	83,875,900	0.96%	830.65
556,000	16,758	300,000	37,766,656	78,441,757	0.84%	760.02
3,406,500	-	-	57,977,249	114,545,000	1.13%	1,109.82
19,702,757	-	-	71,438,656	146,440,000	1.26%	1,418.85
16,203,257	-	-	65,359,556	138,745,000	1.08%	1,344.30
15,602,257	-	-	83,230,756	194,364,541	1.43%	1,728.70
17,073,027	-	-	81,098,427	206,918,937	1.41%	1,769.54
16,320,000	-	-	75,574,500	196,699,099	1.30%	1,645.88
15,710,000	-	-	70,906,800	236,549,602	1.44%	1,849.19
8,570,000	-	-	66,402,300	264,430,000	*	2,033.80

* Personal income information is unavailable

TABLE XII

**CITY OF KILLEEN, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2003	20,085,000	1,929,999	18,155,001	0.69%	180
2004	18,154,999	2,405,000	15,749,999	0.55%	153
2005	33,690,000	2,575,000	31,115,000	1.03%	301
2006	41,075,000	3,625,000	37,450,000	1.10%	363
2007	37,450,000	3,775,000	33,675,000	0.86%	326
2008	51,100,000	3,910,000	47,190,000	1.08%	420
2009	60,465,000	3,100,000	57,365,000	1.19%	491
2010	70,425,000	3,565,000	66,860,000	1.31%	559
2011	73,790,000	3,780,000	70,010,000	1.36%	547
2012	86,550,000	4,115,000	82,435,000	1.55%	634

TABLE XIII

**CITY OF KILLEEN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2012**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Bell County	\$ 118,200,000	32.98%	\$ 38,978,743
Killeen Independent School District	94,535,000	74.93%	<u>70,835,606</u>
Subtotal, overlapping debt			109,814,349
City of Killeen			<u>198,027,700</u>
Total direct and overlapping debt			<u><u>\$ 307,842,049</u></u>

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the entities' taxable assessed value that is within the City's boundaries and dividing by the entities' total taxable assessed value.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Killeen. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt,

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TABLE XIV

**CITY OF KILLEEN, TEXAS
REVENUE BOND COVERAGE – WATER AND SEWER FUND
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Operating Expenses *	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	21,960,302	11,135,352	10,824,950	1,545,000	1,669,701	3,214,701	3.37
2004	20,742,089	11,431,228	9,310,861	1,585,000	1,582,452	3,167,452	2.94
2005	24,775,090	14,616,805	10,158,285	1,440,000	1,492,576	2,932,576	3.46
2006	27,036,300	15,531,689	11,504,611	1,490,000	2,349,391	3,839,391	3.00
2007	26,898,319	16,935,527	9,962,792	1,730,000	2,035,991	3,765,991	2.65
2008	30,195,389	17,735,554	12,459,835	2,715,000	2,881,361	5,596,361	2.23
2009	30,603,258	19,476,310	11,126,948	3,870,000	2,776,886	6,646,886	1.67
2010	30,001,656	20,290,881	9,710,775	3,050,000	2,298,482	5,348,482	1.82
2011	35,659,361	21,360,822	14,298,539	3,280,000	2,383,260	5,663,260	2.52
2012	37,571,221	21,373,966	16,197,255	3,765,000	2,259,114	6,024,114	2.69

Source: Finance Department, City of Killeen

* Total operating expenses less depreciation

**CITY OF KILLEEN, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
LAST TEN FISCAL YEARS**

Fiscal Year	City of Killeen			Overlapping Bell County		
	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen
2003	83,845,000	100.00%	83,845,000	27,805,000	28.24%	7,852,132
2004	78,424,999	100.00%	78,424,999	52,030,000	28.24%	14,693,272
2005	114,545,000	100.00%	114,545,000	53,735,000	28.24%	15,174,764
2006	146,440,000	100.00%	146,440,000	98,050,000	28.24%	27,689,320
2007	138,745,000	100.00%	138,745,000	99,855,000	28.24%	28,199,052
2008	194,364,541	100.00%	194,364,541	131,625,000	28.24%	37,170,900
2009	206,918,937	100.00%	206,918,937	126,620,000	28.24%	35,757,488
2010	196,699,099	100.00%	196,699,099	130,835,000	28.24%	36,947,804
2011	236,549,602	100.00%	236,549,602	125,045,000	34.47%	43,107,661
2012	264,430,000	100.00%	236,549,602	118,200,000	32.98%	38,982,360

Source: Bell County Appraisal District and City of Killeen Finance Department

TABLE XV

Debt						
Killeen Independent School District			Central Texas College			Total Amount Applicable to Killeen
Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	Net Debt Outstanding	Percentage Applicable to Killeen	Amount Applicable to Killeen	
179,795,938	77.93%	140,114,974	12,260,000	67.16%	8,233,816	240,045,922
172,941,739	77.93%	134,773,497	10,440,000	67.16%	7,011,504	234,903,272
167,140,974	77.93%	130,252,961	8,530,000	67.16%	5,728,748	265,701,473
158,793,665	77.93%	123,747,903	6,530,000	67.16%	4,385,548	302,262,771
144,650,000	77.93%	112,725,745	4,445,000	67.16%	2,388,210	282,058,007
135,050,000	77.93%	105,244,465	-	N/A	-	336,779,906
127,110,000	77.93%	99,056,823	-	N/A	-	341,733,248
115,830,000	77.93%	90,266,319	-	N/A	-	323,913,222
107,105,000	74.87%	80,185,488	-	N/A	-	359,842,751
94,535,000	74.93%	70,835,076	-	N/A	-	346,367,038

**CITY OF KILLEEN, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assessed Value, Tax Roll	\$ 2,330,164,265	\$ 2,536,247,292	\$ 2,690,294,155	\$ 3,024,014,497
	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
Legal Debt Limit	<u>\$ 58,254,107</u>	<u>\$ 63,406,182</u>	<u>\$ 67,257,354</u>	<u>\$ 75,600,362</u>
Actual amount expended for general obligation debt service during the year	\$ 2,871,930	\$ 2,886,082	\$ 3,269,538	\$ 4,075,825

Source: Bell County Appraisal District and Finance Department, City of Killeen

TABLE XVI

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 3,504,499,234	\$ 3,975,581,548	\$ 4,398,110,371	\$ 4,565,643,251	\$ 4,598,247,312	\$ 4,726,643,478
<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>	<u>2.50%</u>
<u>\$ 87,612,481</u>	<u>\$ 99,389,539</u>	<u>\$ 109,952,759</u>	<u>\$ 114,141,081</u>	<u>\$ 114,956,183</u>	<u>\$ 118,166,087</u>
\$ 5,470,766	\$ 5,449,036	\$ 6,162,242	\$ 6,100,636	\$ 6,407,155	\$ 6,834,172

TABLE XVII

**CITY OF KILLEEN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Killeen Population (a)	Killeen-Temple Fort Hood Metropolitan Statistical Area Population (b)	Fort Hood Metropolitan Personal Income (amounts expressed in thousands) (b)	Killeen-Temple Fort Hood Metropolitan Per Capita Personal Income	Killeen-Temple Fort Hood Metropolitan Unemployment Rates (c)
2003	100,976	324,649	8,739,875	26,921	6.4
2004	103,210	325,398	9,321,254	28,646	5.2
2005	103,210	341,797	10,162,000	29,731	5.2
2006	103,210	357,580	11,648,344	32,575	5.1
2007	103,210	370,755	12,845,443	34,717	4.7
2008	112,434	378,935	13,601,991	35,895	5.4
2009	116,934	379,231	14,697,693	38,757	7.1
2010	119,510	408,366	15,167,523	37,142	7.8
2011	127,921	411,595	16,475,894	40,029	8.5
2012	130,018	*	*	*	7.0

Sources: (a) U. S. Census Bureau.

(b) U. S. Department of Commerce, Bureau of Economic Analysis.

(c) U. S. Department of Labor, Bureau of Labor Statistics.

* Information is unavailable.

TABLE XVIII

**CITY OF KILLEEN, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Name of Employer	2012			2003		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
III Corps & Fort Hood	52,000	1	70.48%	45,509	1	80.72%
Killeen ISD	6,283	2	8.52%	4,200	2	7.45%
Civilian Personnel Office	6,223	3	8.44%			
Central Texas College	1,798	4	2.44%	1,100	4	1.95%
Metroplex Hospital	1,200	5	1.63%	935	5	1.66%
City of Killeen	1,164	6	1.58%	744	7	1.32%
Westar Aerospace & Defense Group Inc.	1,050	7	1.42%			
L-3 Communications Vertex Aerospace	600	8	0.81%			
ESP, Inc.	510	9	0.69%			
Aegis Communications	600	10	0.81%			
Fort Hood Exchange				1,218	3	2.16%
Killeen Mall				800	6	1.42%
Convergys Corporation				700	8	1.24%
Walmart				600	9	1.06%
Sallie Mae				575	10	1.02%
Subtotal	<u>71,428</u>		<u>96.82%</u>	<u>56,381</u>		<u>100.00%</u>
All other employers	<u>2,347</u>		<u>3.18%</u>	<u>*</u>		<u>N/A</u>
Total employment	<u><u>73,775</u></u>		<u><u>100.00%</u></u>	<u><u>56,381</u></u>		<u><u>100.00%</u></u>

Source: Greater Killeen Chamber of Commerce

* Information not available

CITY OF KILLEEN, TEXAS
FULL TIME AND REGULAR PART-TIME EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
City Manager	3	3	3	3	4	4	4	4	4	3
Assistant City Manager	0	0	0	0	0	3	3	3	3	2
Grant Administration	0	0	0	0	0	0	0	1	1	0
City Auditor	0	0	0	0	1	1	1	1	1	1
Municipal Court	20	19	19	19	23	23	24	24	24	24
Public Information	1	1	1	2	2	2	3	2	1.95	2.5
Killeen Volunteer Services	3	3	3	3	3	3	3	3	3	3
City Attorney	6	6	7	7	7	7	7	7	8	8
City Secretary	1	1	1	1	1	1	1	1	1	1
Finance	5	5	6	6	6	6	6	5	6	6
Accounting	7	7	7	7	7	7	7	7	7	7
General Services Administration	4	4	4	4	4	4	4	4	5	2
Purchasing - General Administration	0	0	0	0	0	0	0	0	0	3
Building Services	2	2	2	3	3	3	4	4	3.5	3.5
Custodial Services	8	8	8	8	9	10	10	12	13	12
Printing Services	2	2	2	2	2	2	3	3	2.5	2.5
EMS Billing & Collections	5	5	5	5	5	5	5	5	6	6
Human Resources	8	8	8	10	10	11	12	12	12	12
Information Technology	10	10	10	12	12	14	15	15	15	14
Library Services	31	30	30	30	31	32	32	32	32	32
Golf Course	12	12	13	17	17	18	18	19	19	19
Golf Course Food & Beverage	0	0	0	0	5	5	5	5	5	0
Community Center Operations	0	0	0	0	0	6	6	6	6	6
Parks	31	31	31	31	37	33	33	33	33	33
Lions Club Park	0	0	0	0	0	14	14	14	14	14
Family Aquatics Center	0	0	0	0	0	0	2	2	2	2
Killeen Arts and Activities Center	0	0	0	0	0	0	0	0	0	4
Recreation	3	3	3	3	3	6	6	6	2	2
Athletics	3	3	3	3	3	3	3	3	3	3
Cemetery	6	6	6	6	6	6	6	6	6	6
Senior Citizens	3	3	3	3	5	6	6	6	6	6
Public Works	2	2	2	2	2	2	2	2	2	2
Engineering	4	2	2	2	2	2	2	2	2	0
Traffic	10	10	10	10	9	10	10	10	10	10
Streets	35	35	35	39	39	43	47	47	47	48
Planning & Development	6	6	7	8	9	9	9	10	10	10
Building Inspections	11	11	12	14	16	14	14	15	15	15
Code Enforcement	4	7	7	8	8	8	9	9	11	11
Community Development	4	4	4	4	3	3	3	3	3	3
Downtown Revitalization	0	0	0	0	1	1	0	0	0	1
Home Program	2	2	2	2	1	1	1	1	1	1
Police	211	214	230	249	267	287	305	314	316	327
Animal Control	8	8	8	8	8	11	11	11	11	11
Fire	128	128	137	143	194	194	200	200	200	200
Emergency Management & Homeland Security	0	0	0	0	1	1	1	1	1	1
Total General Fund	599	601	631	674	765	821	856	869	873.95	879.5

TABLE XIX

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Killeen-Fort Hood Regional Airport										
Killeen-Fort Hood										
Regional Airport	<u>4</u>	<u>14</u>	<u>38</u>	<u>38</u>	<u>40</u>	<u>41</u>	<u>41</u>	<u>41</u>	<u>41</u>	<u>41</u>
Total Killeen-Fort Hood										
Regional Airport Fund	4	14	38	38	40	41	41	41	41	41
Skylark Field										
Skylark Field	<u>20</u>	<u>20</u>	<u>6</u>	<u>6</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total Skylark Field Fund	20	20	6	6	4	4	4	4	4	4
Solid Waste										
Custodial	0	0	0	0	1	1	1	1	1	1
Accounting	0	0	0	0	0	0	4	4	4	4
Residential Services	32	35	35	38	38	40	41	41	42.2	44
Commercial Services	18	19	19	19	20	21	20	20	20	20
Recycle Center	4	7	7	7	7	7	7	7	7	7
Transfer Station	10	11	11	11	13	13	15	15	16	16
Mowing	<u>0</u>	<u>0</u>	<u>0</u>	<u>11</u>	<u>11</u>	<u>19</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>17.5</u>
Total Solid Waste Fund	64	72	72	86	90	101	110	110	112.2	109.5
Water and Sewer										
Fleet Services	19	19	19	19	22	23	23	23	23	26
Utility Collections	29	30	30	32	34	35	38	38	38	40
GIS	0	0	0	0	0	0	5	5	5	5
Water Distribution	15	15	15	15	15	19	19	19	19	19
Sanitary Sewer	11	11	11	13	13	13	15	15	15	15
Water and Sewer Operations	18	20	20	24	20	24	24	24	26	27
Engineering	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>10.6</u>	<u>11.8</u>
Total Water and Sewer Fund	92	95	95	103	112	123	134	134	136.6	143.8
Drainage Utility Fund										
Engineering	3	3	3	9	3	3	3	3	4.2	4.2
Maintenance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>	<u>21</u>	<u>30</u>	<u>30</u>	<u>31</u>	<u>32.5</u>
Total Drainage Utility Fund	3	3	3	9	15	24	33	33	35.2	36.7
Special Revenue Fund										
Cablesystem PEG	1	1	1	0	2	2	2	2	3.05	3.5
Civic and Conference Center	17	15	16	15	14	14	14	14	14	14
Community Development										
Block Grant	6	4	4	4	4	4	5	5	2	2
Home Program	<u>1</u>									
Total Special Revenue Fund	25	21	22	20	21	21	22	22	20.05	20.5
Capital Improvement										
Bond Construction	5	5	5	0	0	0	1	1	1	1
Pass Thru Finance Construction	<u>0</u>	<u>5</u>	<u>5</u>							
Total Capital Improvement Fund	5	5	5	0	0	0	1	1	6	6
Total all funds	<u>812</u>	<u>831</u>	<u>871</u>	<u>935</u>	<u>1046</u>	<u>1134</u>	<u>1200</u>	<u>1213</u>	<u>1229</u>	<u>1241</u>

**CITY OF KILLEEN, TEXAS
WATERWORKS SYSTEM
SEPTEMBER 30, 2012**

WATER USAGE OF THE LAST TEN YEARS (IN MILLIONS OF GALLONS)

Fiscal Year	Peak Day Usage	Average Day Usage	Total Usage
2003	21.12	12.30	4495
2004	16.75	11.07	4069
2005	21.17	11.48	4194
2006	22.31	12.99	4747
2007	18.72	11.99	4378
2008	23.37	14.47	5299
2009	26.28	14.93	5460
2010	25.74	14.64	5350
2011	24.96	15.25	5566
2012	25.82	15.16	5553

TEN LARGEST WATER CUSTOMERS (IN THOUSANDS OF GALLONS)

Customer	Annual Water Usage	Annual Amount Billed	% of Total Water Usage
CITY OF KILLEEN - GOLF IRR	120,631,200	\$ 72,378.72	2.44136%
INDEPENDENCE PLACE AT FT HOOD	28,742,300	88,058.42	0.58169%
METROPLEX HOSPITAL	22,599,900	72,050.27	0.45738%
KISD ELLISON HIGH SCHOOL	16,425,600	51,931.36	0.33243%
TEXAS A&M UNIV	16,190,900	50,856.41	0.32768%
PREMIER CEMETARY SERVICE INC	15,335,800	44,627.20	0.31037%
CITY OF KILLEEN - PARKS	13,918,900	43,885.45	0.28169%
STONE HILL APTS	11,521,700	34,717.72	0.23318%
TGFT ENTERPRISE INC	10,583,300	33,246.28	0.21419%
CITY OF KILLEEN PARKS	10,233,700	24,385.03	0.20711%

Note: Percent of total consumption based on 4,941,140,639 gallons annual consumption.

MONTHLY WATER RATES

The following rates apply to all classes of users inside the city limits.
0 to 2,000 gallons based on meter size:

	Residential and Multi-Family	Commercial
5/8" and 3/4"	\$ 12.03	\$ 12.46
1"	13.32	13.83
1-1/2"	16.54	17.17
2"	20.41	21.19
3"	29.45	30.59
4"	42.38	44.04
6"	75.61	78.60
8"	113.36	117.98
10"	158.56	164.86
<u>Residential</u>		<u>Commercial</u>
2,001 -25,000 gals	\$3.00/1,000	All over 2,000 gals \$3.11/1,000
Over 25,000 gals	\$3.58/1,000	All over 2,000 gals \$3.00/1,000 Multi-Family & MHP

Water rates for outside the city limits are double the water rates for users inside the city limits.

TEN LARGEST WASTEWATER CUSTOMERS (MGD)

Customer	Annual Water Usage	Annual Amount Billed
CTC	55,476,269	\$ 204,774.62
INDEPENDENCE PLACE AT FT HOOD	19,228,589	70,999.62
METROPLEX HOSPITAL	16,166,339	59,698.12
STONE HILL APTS	10,373,159	38,262.85
TGFT ENTERPRISE INC	9,528,589	35,115.85
WEST RIVER OAKS LTD	7,802,370	22,471.61
BLESSING STONEGATE	7,706,700	38,577.49
SOUTHERN HILLS MHP	7,211,300	36,713.04
KILLEEN RIDGEPOINT	6,226,759	23,041.98
REMINGTON APARTMENTS	6,202,459	22,895.85

**CITY OF KILLEEN, TEXAS
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2012**

Date of Incorporation	1882	Public Works			
Date of Charter	1949	Paved Streets		533 miles	
Legal Form of Government Home		Unpaved Streets		1 mile	
Rule Municipal Corp.		Arterial Streets (State)		38.9 miles	
Management Form of Government:		Storm Water Piping		150,000 linear ft	
Council-Manager		Inlets and Outfalls		3,173 structures	
Area in Square Miles	55.56	Curb and Gutter		866 miles	
		Open Channels		312 miles	
		Signalized Intersections		95	
Airport		Wastewater Systems			
Number of Airports	2	Sanitary Sewer Mains		535 miles	
Number of Acres	289	Sewer Connections		43,205	
Number of Airlines	3	Number of Manholes		7,230	
Passengers Enplaning	168,487	Sewer Treatment Plant is Activated Sludge			
Passengers Deplaning	165,568	Plant 1	15 MGI	Plant 2	Plant 3
		Max Capacity		6 MGD	6 MGD
Fire Protection		Water System			
Number of Fire Stations	8	Average Daily Consumption		15753652 gpd	
Fire Aparatus	19	Rated Daily Capacity		32,000,000 gpd	
Number of Fire Hydrants	4800+	Water Mains		617 miles	
Number of Firefighters	194	Water Connections		45,068	
Number of Fire Runs	8,656	Storage Capacity		41 mg	
Number of Paramedic Runs	14,737				
EMS Units	11				
Libraries		Facilities not included in the Reporting Entity:			
Number of Libraries	2	Education*			
Number of Visitors	284,072	Number of Elementary Schools		32	
Number of Volumes	135,368	Number of Middle Schools		13	
Circulation of Volumes	304,412	Number of High Schools		5	
Library Cards in Force	54,223				
Story Time Attendance	9,655	Number of Universities/Colleges		2	
Public Computer Sessions	98,371				
Parks and Recreation					
Number of Parks	21				
Playgrounds	22				
Municipal Golf Courses	1				
Disc Golf Course	1				
Swimming Pools	2				
Tennis Courts	9				
Recreation Centers	1				
Baseball/Softball Fields	15				
Soccer Fields	6				
Jogging/Walking Trails	7				
Senior Center	2				
Aqautics Center	1				
Police Protection					
Number of Facilities	5				
Number of Commissioned					
Police Officers	244				
Number of Employees-Other	85				



**CITY OF KILLEEN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

www.killeentexas.gov